



**大江戸温泉リート投資法人**

Ooedo Onsen Reit Investment Corporation

Results of 8<sup>th</sup> Fiscal Period ended May 31, 2020

# Presentation Material

July 22, 2020

(Asset Manager) Ooedo Onsen Asset Management Co., Ltd.

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\* The photo on the front cover is a bath at Ooedo-Onsen Monogatari Higashiyama Grand Hotel.





# I . Investment Highlights

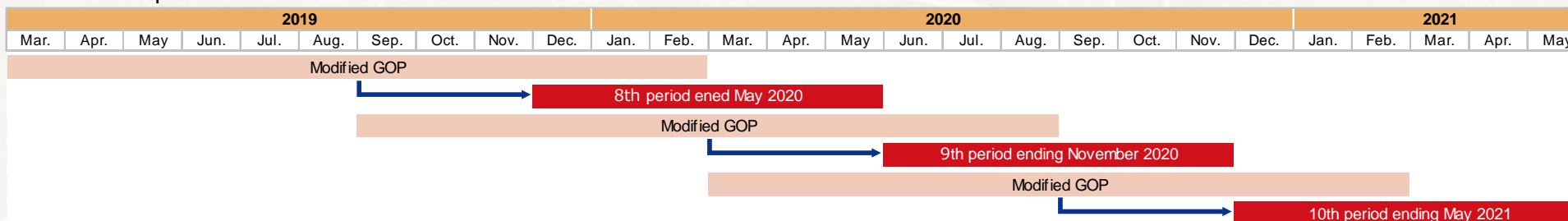
# Impact of Novel Coronavirus Infectious Disease (COVID-19)

A decline in domestic demand became apparent due to the stay-at-home voluntary self-control in March and many facilities temporarily closed through May

## Operation of accommodation facilities

Property No.	Property name	Room occupancy rate (%)				Closed period	
		February	March	April	May	Start	End
S-1	Ooedo-Onsen Monogatari Reoma Resort〈Hotel Reoma-no-mori〉	80.4	34.8	8.9	-	2020.4.26	2020.6.30
S-2	Ooedo-Onsen Monogatari Ise-shima	94.0	73.1	22.1	18.0	2020.4.23	2020.5.21
S-3	Ito Hotel New Okabe	96.3	68.1	23.2	-	2020.4.28	2020.6.30
S-4	Ooedo-Onsen Monogatari Atami	97.6	92.4	30.0	-	2020.4.25	2020.6.19
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	95.5	64.5	10.6	-	2020.4.14	2020.6.30
S-6	Ooedo-Onsen Monogatari Awara	85.0	55.7	10.7	-	2020.4.26	2020.6.30
S-7	Ooedo-Onsen Monogatari Kamoshika-so	62.0	52.3	5.4	-	2020.4.6	2020.6.30
S-8	Ooedo-Onsen Monogatari Ikaho	96.6	87.7	50.3	-	2020.4.29	2020.6.30
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	99.2	91.5	46.3	-	2020.4.29	2020.6.30
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	87.9	84.4	20.9	-	2020.4.26	2020.6.19
S-11	Ooedo-Onsen Monogatari Kounkaku	97.1	53.7	19.0	-	2020.4.27	2020.6.30
S-12	Kinugawa Kanko Hotel	73.9	51.8	13.7	-	2020.4.25	2020.6.30
S-13	Ooedo-Onsen Monogatari Kinosaki	98.8	99.1	23.2	-	2020.4.26	2020.6.19
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	79.4	51.6	13.8	-	2020.4.29	2020.6.30
Total		86.9	62.4	17.9	1.1		

### <Calculation period of variable rent>



(Note) "GOP" refers to gross operating profit, which is the amount remaining after deducting expenses arising directly from managing each facility, such as labor expenses and general and administrative expenses, from each facility's sales. "Modified GOP" is the amount remaining after deducting real estate-related expenses for the property to be borne by the tenant (including, but not limited to, taxes and public charges, non-life insurance premiums and land and house rent, but excluding an amount equivalent to Secondary rent) from the GOP of each facility for the Modified GOP Calculation Period. The same applies hereinafter.

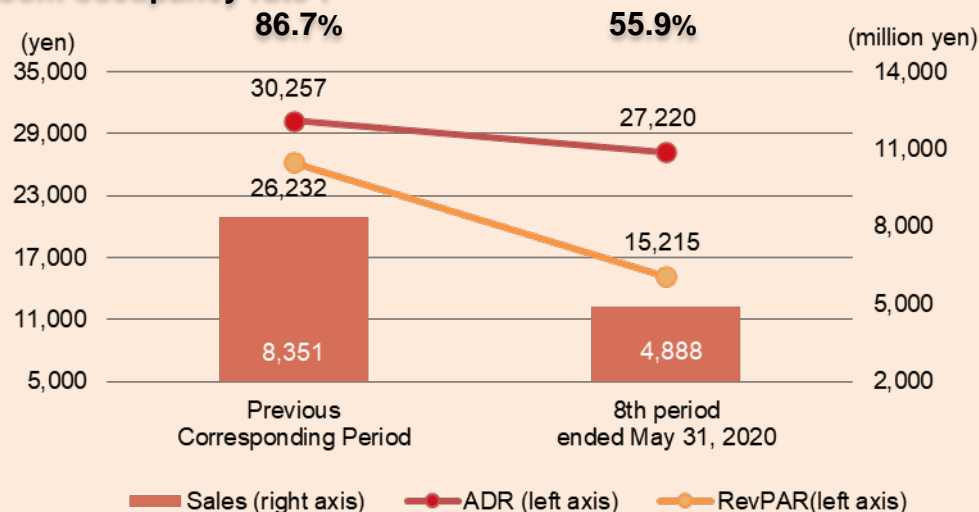
# Operating Results for the Entire Portfolio

Room occupancy rate declined sharply due to the impact of COVID-19 since March.  
ADR decreased approx. 10% year on year



<Cumulative comparison of 8<sup>th</sup> period and the same period of the previous year>

Room occupancy rate :



## Portfolio operating results

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	86.2%	88.8%	96.5%	87.6%	83.4%	93.4%	84.7%	83.4%	86.9%	62.4%	17.9%	1.1%	72.6%	86.7%	55.9%	-30.8%
ADR (yen)	25,088	28,589	41,675	26,629	27,509	29,277	31,560	29,705	25,532	23,256	16,712	19,757	28,968	30,257	27,220	-3,037
RevPAR (yen)	21,625	25,387	40,216	23,327	22,942	27,344	26,731	24,773	22,187	14,511	2,991	217	21,030	26,232	15,215	-11,017
Sales (million yen)	1,173	1,356	2,101	1,217	1,266	1,477	1,461	1,350	1,145	762	156	11	13,481	8,351	4,888	-3,463

(Note) Unless otherwise specified, figures are rounded down to the nearest specified unit and percentage rates are rounded to the first decimal place in this material. The same applies hereinafter.

## Increase/Decrease in Variable Rent

Variable rents for the 8th period linked to GOP of the period up to February 2020 were not significantly affected by COVID-19, excluding three properties expected to result in zero in the first place

(thousand yen)

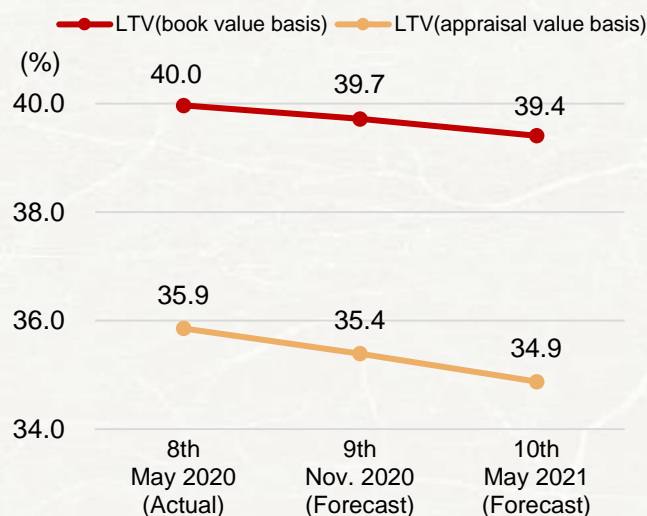
Property No.	Property name	7th period			8th period			Increase /decrease of variable rent
		Fixed	Variable	Total rent	Fixed	Variable	Total rent	
S-1	Ooedo-Onsen Monogatari Reoma Resort	315,257	29,317	344,575	315,257	28,619	343,877	-697
S-2	Ooedo-Onsen Monogatari Ise-shima	108,056	7,294	115,351	108,056	7,104	115,161	-189
S-3	Ito Hotel New Okabe	73,780	9,481	83,262	73,780	8,559	82,340	-922
S-4	Ooedo-Onsen Monogatari Atami	93,716	8,214	101,930	93,716	7,628	101,344	-585
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	54,589	6,707	61,297	54,589	6,792	61,382	84
S-6	Ooedo-Onsen Monogatari Awara	65,778	3,560	69,338	65,778	3,253	69,031	-307
S-7	Ooedo-Onsen Monogatari Kamoshika-so	35,723	4,179	39,903	35,723	3,663	39,386	-516
S-8	Ooedo-Onsen Monogatari Ikaho	36,759	5,030	41,789	36,759	4,826	41,586	-203
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	24,590	2,950	27,541	24,590	-	24,590	-2,950
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	74,979	4,108	79,087	74,979	4,027	79,006	-80
S-11	Ooedo-Onsen Monogatari Kounkaku	42,103	-	42,103	42,103	-	42,103	-
S-12	Kinugawa Kanko Hotel	174,418	-	174,418	174,418	-	174,418	-
S-13	Ooedo-Onsen Monogatari Kinosaki	78,887	5,127	84,015	78,887	5,308	84,196	180
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51,790	5,543	57,334	51,790	6,043	57,833	499
Total		1,230,431	91,517	1,321,948	1,230,431	85,827	1,316,259	-5,689



# Financial Status

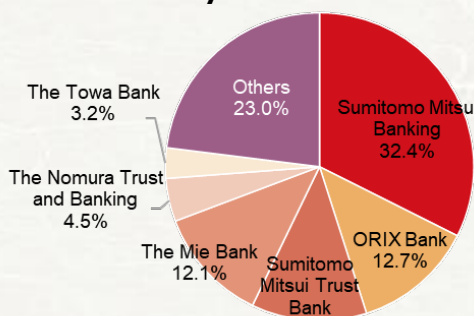
**LTV decreased due to progress in scheduled repayments (40.0% on a book value basis and 35.9% on an appraisal value basis). Amid uncertain prospects, refinancing in May was set for one year while avoiding additional risk premium. From now on, longer terms will be targeted**

## LTV



## Breakdown of lenders

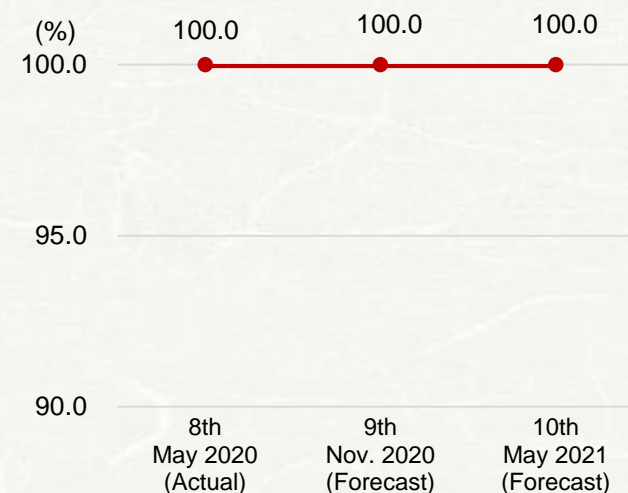
Number of syndicate lenders: 14



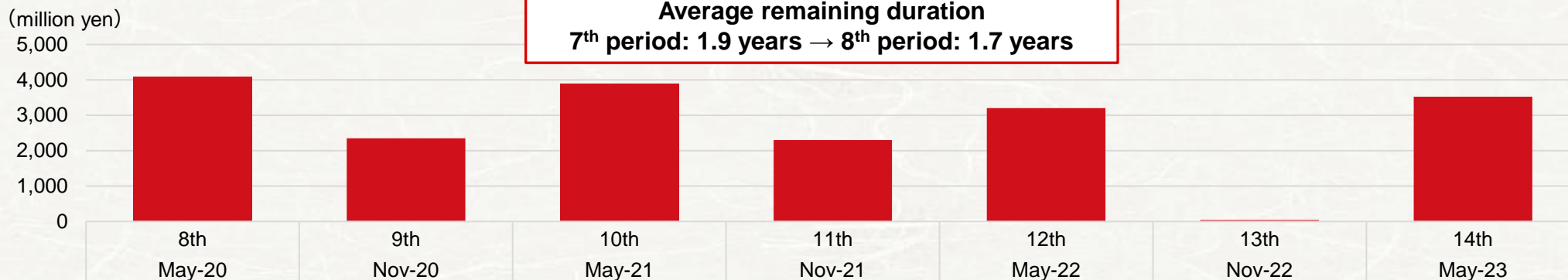
<Breakdown of others, which stand at 23.0%>

The Bank of Fukuoka 3.1%	The First Bank of Toyama 3.0%
The Iyo Bank 3.0%	Fukoku Mutual Life Insurance 3.0%
The Shinwa Bank 3.0%	The Toho Bank 3.0%
The Tochigi Bank 3.0%	The Bank of Kochi 1.8%

## Ratio of long-term borrowings



## Overview of maturity



**Average remaining duration**  
7<sup>th</sup> period: 1.9 years → 8<sup>th</sup> period: 1.7 years

# Financial Results for the 8<sup>th</sup> Fiscal Period ended May 2020

Revenue and profits increased from the forecasts due to insurance income from typhoons and a fall in SG&A expenses, despite a decline in variable rents. Distributions per unit increased 28 yen from the forecast and decreased 87 yen from the previous period

(thousand yen)

Item	7th period (Actual)	8th period (Actual)	Difference	8th period (Forecast as of Jan. 21, 2020)	Difference
Operating revenue	Component ratio 1,440,167	Component ratio 1,433,658	-6,509	1,427,268	+6,389
Primary rent	1,321,948	1,316,259	-5,689	1,317,622	-1,363
Fixed rent	93.1% 1,230,431	93.5% 1,230,431	-	1,230,431	-
Variable rent	6.9% 91,517	6.5% 85,827	-5,689	87,191	-1,363
Secondary rent	104,545	105,122	+577	105,370	-247
Others	13,673	12,276	-1,396	4,275	+8,001
Lease operations revenue gain/loss	884,506	867,329	-17,176	867,731	-401
Operating income	696,901	678,438	-18,462	673,470	+4,968
Ordinary income	566,511	546,279	-20,231	539,496	+6,782
Net income	565,562	545,107	-20,455	538,496	+6,610
Excess cash distribution	2,824	2,824	-	2,824	-
Total distribution	568,363	547,887	-20,475	541,298	+6,589
Total units outstanding	235,347	235,347	-	235,347	-
DPU (yen) (Excess cash distribution per unit)	2,415 12	2,328 12	-87 -	2,300 12	+28 -
FFO per unit (yen)	4,244	4,178	-66	4,150	+28
NOI	1,317,915	1,305,540	-12,375	1,306,040	-500
Depreciation	433,409	438,210	+4,801	438,308	-98
CAPEX	178,936	169,743	-9,193	180,000	-10,256

(Note) As for the signs for each item of main factors for increase/decrease, "+" indicates those that lead to the increase in distribution per unit and "-" indicates those that lead to the decrease in distribution per unit. The same applies hereinafter.

## Main factors for increase/decrease from forecast (Note)

(thousand yen)

• Decrease in variable rent	-1,363
• Increase in other operating revenue (Insurance revenue)	+12,001
• Decrease in other operating revenue (Reoma solar power generation)	-2,000
• Increase in tax and public charge	-3,018
• Increase in other expenses (Repairs covered by insurance)	-4,359

<b>Lease operations revenue gain/loss</b>	<b>-401</b>
• Decrease in selling, general and administration (IR-related expenses, etc.)	+5,370
<b>Operating income</b>	<b>+4,968</b>
• Decrease in finance-related expenses, etc.	+1,240
<b>Ordinary income</b>	<b>+6,782</b>

## Main factors for increase/decrease from previous fiscal period

(thousand yen)

• Decrease in variable rent (Kimitsu-no-mori, etc.)	-5,689
• Decrease in other operating revenue (Insurance revenue)	-1,396
• Increase in tax and public charge	-3,552
• Increase in other expenses (Repairs covered by insurance)	-1,328
• Increase in other expenses (Asbestos monitoring fee)	-1,475
• Increase in depreciation (due to capital expenditure)	-4,801

<b>Lease operations revenue gain/loss</b>	<b>-17,176</b>
• Decrease in selling, general and administration (IR-related expenses, etc.)	+2,586
• Decrease in selling, general and administration (Review of legal fees, etc.)	+1,382
• Temporary increase in expenses for General Unitholders' Meeting	-5,689
<b>Operating income</b>	<b>-18,462</b>
• Increase in finance-related expenses, etc.	-2,332
<b>Ordinary income</b>	<b>-20,231</b>

**Main financial indicators** (million yen)

Total assets	38,327
Interest-bearing debt	15,319
Total liabilities	17,143
Total net assets	21,183
LTV (book value basis)	40.0%
NAV per unit	108,678 yen



# [Progress Report] Plan for Installation of Photovoltaic Power Generator on the Unused Land and so forth of Ooedo-Onsen Monogatari Reoma Resort

## Plan as of the previous presentation

- Unused land of Ooedo-Onsen Monogatari Reoma Resort, including the vacant lot of ex-zoo, and parking lots, will be leased to a photovoltaic business operator.
  - ⇒ Initial schedule: Land lease will start in April 2020, and construction will be completed in March 2021.
- Land lease revenue of 2 million yen for the 8th period and 6 million yen for the 9th period was included in the forecasts.

## Subsequent progress and current status

- The method of leasing the land has been changed to a leaseback after selling the land.
  - ⇒ Failed to reach an agreement on the establishment of rights to the land, which are required for the business operator to procure funds.
  - ⇒ The land will be leased back to the Investment Corporation to operate Ooedo-Onsen Monogatari Reoma Resort after being sold to the business operator. The plan has been changed to the method of leasehold interests in land, and negotiations with multiple business operators are currently underway.
- No land rent was received in the 8th period. Land rent revenue was reduced in forecasts for the 9th and subsequent periods.
  - ⇒ Assumed conditions currently in negotiation are expected to have a negligible impact on the Investment Corporation's PL.

- Purpose and significance:
  - Contribution to the renewable energy business
  - Reduction of book value through sale of unused land and acquisition of leasehold interests in land, leading to increased asset value
- Project land: 196,542.2 m<sup>2</sup> including parking lots and vacant zoo

# Priorities for the Time Being: Determining Risk and Building Defenses (1)

## Immediate priority is defense from COVID-19

Priority is placed on responding to crisis that change daily by determining risks on the assumption of the worst-case scenario and checking the strengths and weaknesses of the Ooedo-Onsen Monogatari Group

Current Risks	Current Condition	Weaknesses	Strengths
<b>Risks in facility operation</b>			
<ul style="list-style-type: none"> <li>• Possibility of a <b>decrease in operation</b> or temporary closure due to the second and third waves of COVID-19</li> </ul>	Many facilities that closed <b>resumed operation in June or July 2020.</b>	Customers are careful or concerned about the crowds from the model of attracting a large number of customers and high occupancy rates.	Most customers come by car from neighboring markets. Persistent support of domestic regular customers.
<ul style="list-style-type: none"> <li>• Whether <b>crowds</b> can be avoided or a low level of crowdedness about which people feel safe can be provided</li> </ul>	Tenants are implementing a <b>project for COVID-19 measures</b> , including food service with a new system.	Buffet-style dining cannot be provided without safe and secure operation.	Potential standby demand will be high if crowds where people feel safe becomes possible through new developments in the Ooedo model.
<ul style="list-style-type: none"> <li>• Risks associated with <b>industry characteristics and portfolio</b></li> </ul>	Early recovery beginning in the summer is expected in view of <b>domestic and regular customers comprising the majority of guests.</b>	Concentration risk when the Ooedo-Onsen Monogatari Group is the only tenant.	Business of <b>affordable, close-distance, and short-term</b> stays that will be the first to meet demand after recovery.
<b>Risks in securing rent income</b>			
<ul style="list-style-type: none"> <li>• <b>Securing of fixed rent payment</b> which has accounted for over 90% of rent income</li> </ul>	Confirmed sponsors' intention to <b>preferentially secure fixed rent payment to REIT.</b>	If the aggravation of conditions continues after summer, it will be difficult to eliminate the risk of requests for a payment grace period, reduction or exemption.	Normally, approx. 50% of GOP, a <b>relatively low rent payment ratio</b> + sponsor commitment.
<ul style="list-style-type: none"> <li>• Corporate strength of the Ooedo-Onsen Monogatari Group</li> </ul>	Support of sponsoring shareholders and lenders has been confirmed.	Additional financial measures must be taken if the infection spreads or the period is prolonged.	The nationwide <b>chain facility network</b> diversifies the risk of infection outbreak in specific areas.

## Priorities for the Time Being: Determining Risk and Building Defenses (2)

Current Risks	Current Condition	Weaknesses	Strengths
<b>Financial risks</b>			
<ul style="list-style-type: none"> <li>Risks involved in <b>cash management</b> due to a decrease in rent income</li> </ul>	There is no problem with cash management even when variable rent is zero.	Funds in hand are at an appropriate level in view of fund efficiency, which will be insufficient if a significant delay in the collection of fixed rents occurs.	Stability of master lease and fixed rents and controlled CAPEX.
<ul style="list-style-type: none"> <li>Risk that <b>funding conditions</b> are aggravated</li> </ul>	Refinancing in May was set to one year amid the prospects of an uncertain future as a result of the COVID-19 crisis, but <b>no particular deterioration of conditions has been observed.</b>	Future business conditions and outlook of rent income for tenants will affect the financing conditions for the next refinancing (November 2020).	Relatively relaxed financial covenants and diversified borrowers (syndicate).
<ul style="list-style-type: none"> <li>Real estate appraisal value and LTV</li> </ul>	Appraisal value for the 8th period (ended May 2020) remained mostly unchanged from the previous period (down 0.4%). LTV (appraisal value basis) was 35.9%.	For the appraisal value for the 9th period (ending November 2020), attention must be paid to the emergence of cases, such as stop-loss selling in the market due to the COVID-19 crisis.	Relatively low level of LTV (appraisal value basis) as a buffer. While many locations are outside cities, the impact of COVID-19 is relatively large in urban areas with high population density and locations for inbound tourism.

### Defense measures

- ① **Intensive monitoring of the overall business conditions of facilities owned and sponsor group**  
⇒ **Determine risks and actively exchange opinions and suggestions**
- ② **Reduction of non-essential expenditure and comprehensive cash management through information sharing with lenders**
- ③ **Proposal of financial solutions to sponsors and examination thereof**  
⇒ **For example, feasibility of off-balance sheet financing using a third-party bridge fund**



# Forecast for the 9<sup>th</sup> Fiscal Period ending November 2020

Because of the absence of land lease revenue of Reoma Resort, and an increase in property tax, distribution per unit decreased 58 yen from the forecast.

Revenue and profits fell from the previous period due to the absence of variable rent and insurance revenue

Item	8th period (Actual)		9th period (Forecast)		Difference		(thousand yen)	
	Component ratio		Component ratio				9th period (Forecast as of Mar. 23, 2020)	Difference
Operating revenue		1,433,658		1,335,459	-98,198		1,341,754	-6,294
Primary rent		1,316,259		1,230,431	-85,827		1,230,431	-
Fixed rent	93.5%	1,230,431	100.0%	1,230,431	-		1,230,431	-
Variable rent	6.5%	85,827	0.0%	-	-85,827		-	-
Secondary rent		105,122		104,753	-369		105,047	-294
Others		12,276		275	-12,001		6,275	-
Lease operations revenue gain/loss		867,329		764,654	-102,674		776,519	-11,864
Operating income		678,438		578,179	-100,259		590,485	-12,306
Ordinary income		546,279		448,755	-97,524		462,507	-13,752
Net income		545,107		447,755	-97,351		461,507	-13,752
Excess cash distribution		2,824		2,824	-		2,824	-
Total distribution		547,887		450,689	-97,198		464,339	-13,650
Total units outstanding		235,347		235,347	-		235,347	-
DPU (yen)		2,328		1,915	-413		1,973	-58
(Excess cash distribution per unit)		12		12	-		12	-
FFO per unit (yen)		4,178		3,792	-386		3,856	-64
NOI		1,305,540		1,209,537	-96,002		1,222,529	-12,992
Depreciation		438,210		444,882	+6,671		446,010	-1,127
CAPEX		169,743		190,000	+20,256		180,000	+10,000

## Main factors for increase/decrease from forecast

	(thousand yen)
• Decrease in other operating revenue (Reoma solar power generation)	-6,000
• Increase in tax and public charge	-6,550
• Decrease in depreciation (due to capital expenditure)	+1,127

## Lease operations revenue gain/loss

• Increase in selling, general and administration (Real estate appraisal fee)	-1,000
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## Operating income

• Increase in finance-related expenses, etc.	-1,446
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## Ordinary income

## Main factors for increase/decrease from previous fiscal period

	(thousand yen)
• Absence of variable rent (Impact of COVID-19)	-85,827
• Decrease in other operating revenue (Insurance revenue)	-12,001
• Increase in tax and public charge	-3,497
• Decrease in other expenses (Repairs covered by insurance)	+4,359
• Increase in depreciation (due to capital expenditure)	-6,671

## Lease operations revenue gain/loss

• Decrease in asset management fees	+2,188
• Decrease in expenses for General Unitholders' Meeting	+5,689
• Increase in selling, general and administration (Real estate appraisal fee)	-1,105
• Increase in selling, general and administration (IR-related expenses, etc.)	-3,778

## Operating income

• Decrease in finance-related expenses	+3,308
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## Ordinary income

## Main financial indicators

	(million yen)
Total assets	37,995
Interest-bearing debt	15,092
Total liabilities	16,911
Total net assets	21,083
LTV (book value basis)	39.7%

# Forecast for the 10<sup>th</sup> Fiscal Period ending May 2021

Revenue and profits are expected to grow from the previous period due to a rise in secondary rent associated with the increased property tax and a fall in finance-related expenses.

DPU is expected to increase 23 yen from the previous period

(thousand yen)

Item	9th period (Forecast)	10th period (Forecast)	Difference
Operating revenue	Component ratio 1,335,459	Component ratio 1,343,452	+7,992
Primary rent	1,230,431	1,230,431	-
Fixed rent	100.0% 1,230,431	100.0% 1,230,431	-
Variable rent	0.0% -	0.0% -	-
Secondary rent	104,753	112,746	+7,992
Others	275	275	-
Lease operations revenue gain/loss	764,654	766,248	+1,593
Operating income	578,179	581,084	+2,905
Ordinary income	448,755	454,414	+5,659
Net income	447,755	453,414	+5,659
Excess cash distribution	2,824	2,824	-
Total distribution	450,689	456,102	+5,412
Total units outstanding	235,347	235,347	-
DPU (yen)	1,915	1,938	+23
(Excess cash distribution per unit)	12	12	-
FFO per unit (yen)	3,792	3,834	+42
NOI	1,209,537	1,215,274	+5,737
Depreciation	444,882	449,026	+4,143
CAPEX	190,000	180,000	-10,000

## Main factors for increase/decrease from previous fiscal period

	(thousand yen)
• Increase in secondary rent	+7,992
• Increase in other expenses (Asbestos monitoring fee)	-1,513
• Increase in depreciation (due to capital expenditure)	-4,143
<b>Lease operations revenue gain/loss</b>	<b>+1,593</b>
• Decrease in asset management fees	+991
<b>Operating income</b>	<b>+2,905</b>
• Decrease in finance-related expenses	+2,754
<b>Ordinary income</b>	<b>+5,659</b>

## Main financial indicators

	(million yen)
Total assets	37,822
Interest-bearing debt	14,906
Total liabilities	16,736
Total net assets	21,086
LTV (book value basis)	39.4%

## Changes in Key Indices

Distributions per unit ended with 2,328 yen in the 8th period and are expected to be 1,900 yen level in the 9th and 10th periods, considering the impact of COVID-19

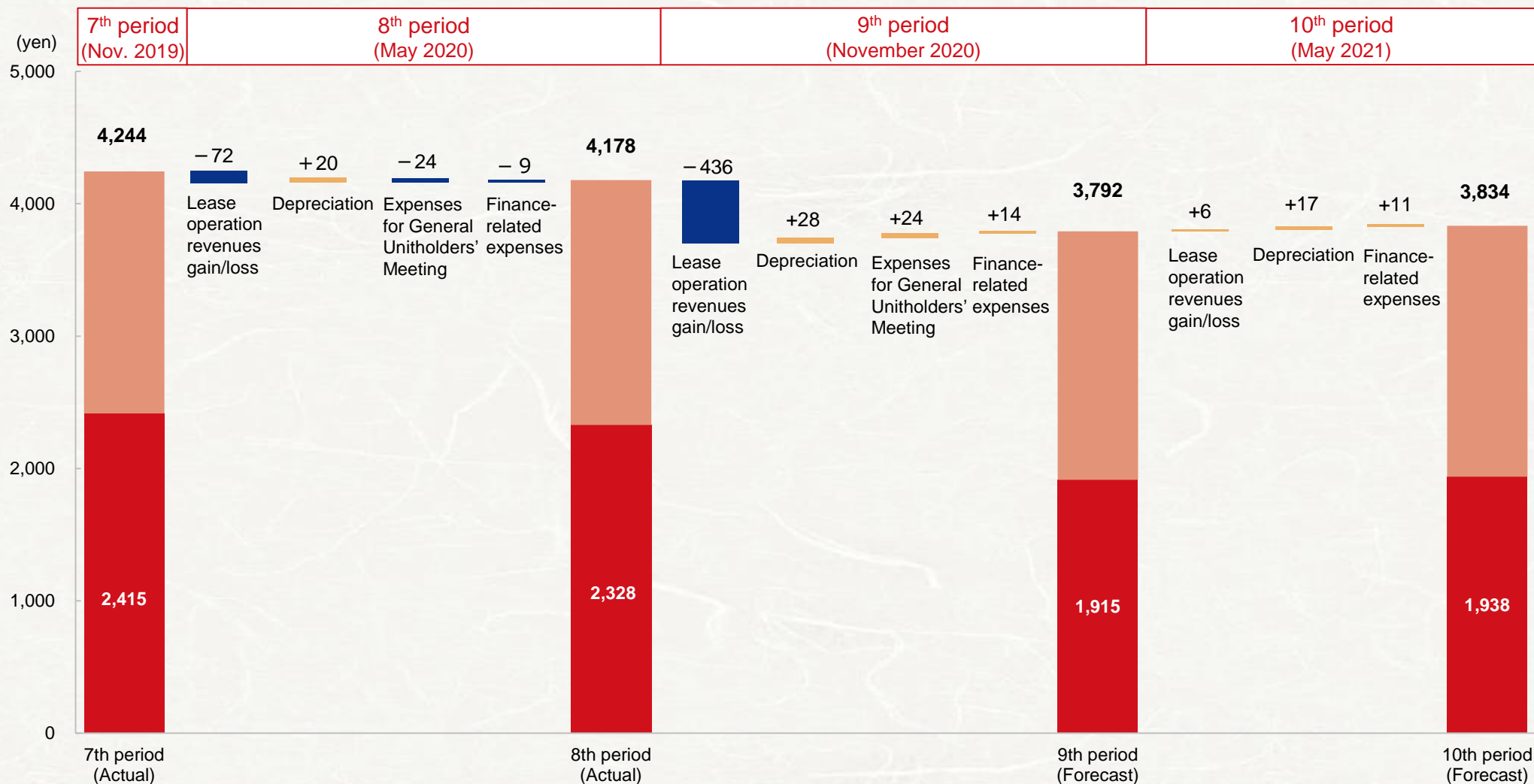
	7 <sup>th</sup> period (November 2019) Actual	8 <sup>th</sup> period (May 2020) Actual	9 <sup>th</sup> period (November 2020) Forecast	10 <sup>th</sup> period (May 2021) Forecast
DPU per unit	2,415 yen	2,328 yen	1,915 yen	1,938 yen
FFO per unit	4,244 yen	4,178 yen	3,792 yen	3,834 yen
LTV (book value basis)	40.3%	40.0%	39.7%	39.4%
LTV (appraisal value basis)	36.3%	35.9%	35.4%	34.9%
NAV per unit	107,243 yen	108,678 yen	109,336 yen	110,490 yen

(Note) Unrealized gain (Appraisal value – book value) were 4.3 billion yen at the end of the 8<sup>th</sup> fiscal period (up 0.1 billion yen from the end of the previous fiscal period).  
LTV (on an appraisal value basis) for the 9<sup>th</sup> and 10<sup>th</sup> fiscal periods is based on the assumption that appraisal value will remain unchanged.



# Major Factors for Increase/Decrease in DPU : Operation Focused on Stable Generation of Cash

Under the impact of COVID-19, FFO per unit in the 9th and 10th periods is expected to decrease by around 10% and the payout ratio will be around 51%



(Note 1) The figures on the upper side and lower side of the bars show FFO per unit and distributions per unit, respectively.

(Note 2) As for the signs for each item, "+" indicates those that lead to the increase in distribution per unit and "-" indicates those that lead to the decrease in distribution per unit.



## Ⅱ . Investment Results

# Portfolio Data (1)

Appraisal values decreased slightly, excluding three properties (Nagasaki Hotel Seifu, Kounkaku and Kinosaki). The unrealized gain (appraisal value – book value) increased to 4.39 billion yen (up 0.12 billion yen period on period) at the end of the 8th period

Property No.	Property name	Location	Building age (years)	Number of rooms	Room occupancy rate (Note 1)	Acquisition price (million yen)	Appraisal value (million yen)	NOI (million yen)	NOI yield (Note 2)	After depreciation NOI yield (Note 2)	PML
S-1	Ooedo-Onsen Monogatari Reoma Resort	Kagawa Prefecture	28.9/29.2 (Note 3)	241	49.9%	10,379	8,870	344	6.6%	5.0%	1.9/1.6%
S-2	Ooedo-Onsen Monogatari Ise-shima	Mie Prefecture	40.2	83	65.4%	3,656	3,830	114	6.2%	3.4%	14.2%
S-3	Ito Hotel New Okabe	Shizuoka Prefecture	29.6	73	60.9% (Note 4)	2,657	2,810	83	6.3%	4.2%	12.0%
S-4	Ooedo-Onsen Monogatari Atami	Shizuoka Prefecture	46.4	76	68.3%	2,997	3,200	100	6.7%	4.5%	12.6%
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	Shizuoka Prefecture	45.7	64	57.3%	1,910	2,020	60	6.3%	3.2%	14.9%
S-6	Ooedo-Onsen Monogatari Awara	Fukui Prefecture	38.8	95	51.1%	1,901	1,990	68	7.2%	4.9%	14.9%
S-7	Ooedo-Onsen Monogatari Kamoshika-so	Tochigi Prefecture	24.3	60	40.4%	1,222	1,260	38	6.3%	4.0%	3.0%
S-8	Ooedo-Onsen Monogatari Ikaho	Gunma Prefecture	36.6	40	69.5%	1,299	1,370	40	6.2%	4.1%	1.0%
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	Chiba Prefecture	24.2	41	71.0%	819	859	26	6.4%	4.3%	4.8%
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	Nagasaki Prefecture	37.9	100	60.9%	1,637	2,570	76	9.4%	6.9%	6.4%
S-11	Ooedo-Onsen Monogatari Kounkaku	Miyagi Prefecture	54.5	98	54.0% (Note 5)	1,040	1,220	40	7.7%	3.6%	3.9%
S-12	Kinugawa Kanko Hotel	Tochigi Prefecture	38.8	172	49.3%	3,870	6,130	170	8.8%	5.6%	2.1%
S-13	Ooedo-Onsen Monogatari Kinosaki	Hyogo Prefecture	51.6	103	69.8%	2,084	2,650	83	8.0%	6.1%	11.8%
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	Fukushima Prefecture	55.7	123	45.9%	1,230	1,470	56	9.2%	4.8%	4.6%
Total/Average			38.5	1,369	55.9%	36,705	40,249	1,305	7.1%	4.7%	2.7%

(Note 1) Room occupancy rate is for the 7<sup>th</sup> period ended May 31, 2020 of the investment corporation.

(Note 2) (Average) NOI yield and (average) after depreciation NOI yield indicate annualized figures.

(Note 3) As for Building age and PML of Ooedo-Onsen Monogatari Reoma Resort, figures on the left indicate those of Hotel Reoma no Mori while figures on the right indicate those of New Reoma World.

(Note 4) The room occupancy rate of Ito Hotel New Okabe is a comprehensive figure including the rate of Surugatei, a property not owned by the investment corporation.

(Note 5) The room occupancy rate of Ooedo-Onsen Monogatari Kounkaku is a comprehensive figure including the rate of the Annex, a property not owned by the investment corporation.

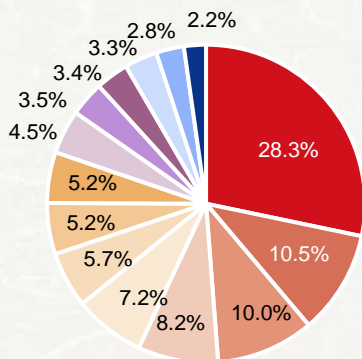


# Portfolio Data (2)

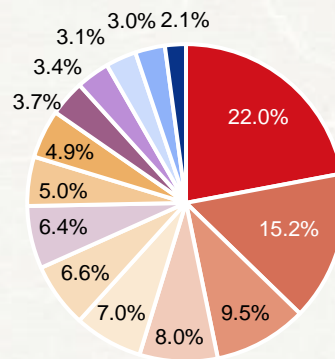
The reduction of the investment ratio in certain types of properties through external growth is a challenge, and the investment ratio by region is distributed across the country, excluding Hokkaido and Okinawa.

## Investment ratio by facility

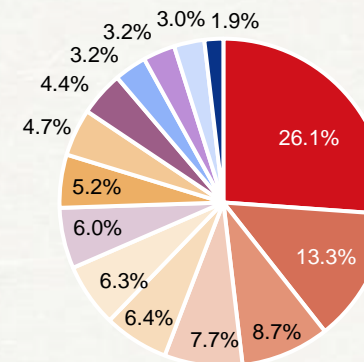
Acquisition price basis



Appraisal value basis



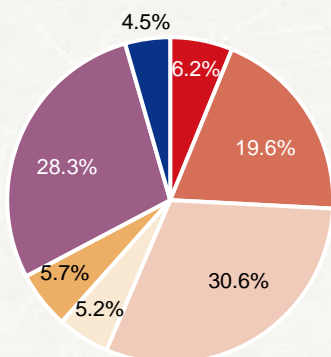
Rent income basis (Note)



(Note) Calculations were made based on the primary rent.

## Investment ratio by region

Acquisition price basis



- Tohoku
- Kanto
- Tokai
- Hokuriku
- Kinki
- Shikoku
- Kyushu

- Ooedo-Onsen Monogatari Reoma Resort
- Ooedo-Onsen Monogatari Ise-shima
- Ito Hotel New Okabe
- Ooedo-Onsen Monogatari Atami
- Ooedo-Onsen Monogatari Toi Marine Hotel
- Ooedo-Onsen Monogatari Awara
- Ooedo-Onsen Monogatari Kamosika-so
- Ooedo-Onsen Monogatari Ikaho
- Ooedo-Onsen Monogatari Kimitsu-no-mori
- Ooedo-Onsen Monogatari Nagasaki Hotel Seifu
- Ooedo-Onsen Monogatari Kounkaku
- Kinugawa Kanko Hotel
- Ooedo-Onsen Monogatari Kinosaki
- Ooedo-Onsen Monogatari Higashiyama Grand Hotel

# Operating Results of Individual Properties (1)

Major KPIs at all facilities fell significantly from the same period in the previous year due to the impact of COVID-19

## 1. Operating results of the accommodation sector

Property No.	Property name	Room occupancy rate (%)			ADR (yen)			RevPAR (yen)			Sales (million yen)		
		Previous corresponding period cumulative total	8th period cumulative Total	Change	Previous corresponding period cumulative total	8th period cumulative Total	Change	Previous corresponding period cumulative total	8th period cumulative Total	Change	Previous corresponding period cumulative total	8th period cumulative Total	Change
S-1	Ooedo-Onsen Monogatari Reoma Resort <Hotel Reoma-no-mori>	90.4	49.9	-44.8%	31,427	30,395	-3.3%	28,410	15,167	-46.6%	1,639	874	-46.7%
S-2	Ooedo-Onsen Monogatari Ise-shima	94.6	65.4	-30.9%	33,509	28,496	-15.0%	31,699	18,636	-41.2%	570	338	-40.6%
S-3	Ito Hotel New Okabe	95.9	60.9	-36.5%	29,783	25,387	-14.8%	28,561	15,460	-45.9%	667	363	-45.5%
S-4	Ooedo-Onsen Monogatari Atami	98.9	68.3	-30.9%	33,141	28,928	-12.7%	32,776	19,757	-39.7%	529	323	-38.8%
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	91.6	57.3	-37.4%	26,661	25,891	-2.9%	24,421	14,835	-39.3%	321	197	-38.5%
S-6	Ooedo-Onsen Monogatari Awara	77.8	51.1	-34.3%	30,055	26,118	-13.1%	23,382	13,346	-42.9%	512	295	-42.2%
S-7	Ooedo-Onsen Monogatari Kamoshika-so	76.8	40.4	-47.4%	26,509	25,970	-2.0%	20,358	10,491	-48.5%	263	137	-47.6%
S-8	Ooedo-Onsen Monogatari Ikaho	96.1	69.5	-27.7%	29,880	25,490	-14.7%	28,714	17,715	-38.3%	240	148	-38.1%
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	96.1	71.0	-26.1%	26,646	21,896	-17.8%	25,606	15,546	-39.3%	282	174	-38.3%

## Operating Results of Individual Properties (2)

Property No.	Property name	Room occupancy rate (%)			ADR (yen)			RevPAR (yen)			Sales (million yen)		
		Previous corresponding period cumulative total	8th period cumulative Total	Change	Previous corresponding period cumulative total	8th period cumulative Total	Change	Previous corresponding period cumulative total	8th period cumulative Total	Change	Previous corresponding period cumulative total	8th period cumulative Total	Change
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	91.4	60.9	-33.4%	33,181	28,172	-15.1%	30,327	17,156	-43.4%	624	353	-43.3%
S-11	Ooedo-Onsen Monogatari Kounkaku	77.1	54.0	-30.0%	25,017	22,162	-11.4%	19,288	11,967	-38.0%	483	303	-37.3%
S-12	Kinugawa Kanko Hotel	76.3	49.3	-35.4%	30,695	28,117	-8.4%	23,420	13,861	-40.8%	952	575	-39.5%
S-13	Ooedo-Onsen Monogatari Kinosaki	92.9	69.8	-24.9%	32,218	29,271	-9.1%	29,930	20,431	-31.7%	679	457	-32.6%
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	75.2	45.9	-39.0%	28,468	26,391	-7.3%	21,407	12,113	-43.4%	585	342	-41.6%
	Total	86.7	55.9	-35.5%	30,257	27,220	-10.0%	26,232	15,215	-42.0%	8,351	4,888	-41.5%

### 2. Operating results excluding the accommodation sector

Property No.	Property name	Number of guests			Sales (million yen)		
		Previous corresponding period cumulative total	8th period cumulative Total	Change	Previous corresponding period cumulative total	8th period cumulative Total	Change
S-1	Ooedo-Onsen Monogatari Reoma Resort <New Reoma World>	295,839	130,120	-56.0%	1,135	475	-58.1%

(Note) Number of guests is the total number of people using New Reoma World during the period.





## **Ⅲ. Key Policies in Forthcoming Periods**

# Key Policies in Forthcoming Periods (1) : Changes in Utilization of Leisure Time Caused by COVID-19

## Responses to changes in the post-coronavirus period will be growth opportunities

- What has been lost due to the COVID-19 crisis in people's daily lives
  - Daily life, the hustle and bustle of big cities, and work have shifted to business interruption, teleworking, and staying at home
  - Everyday enjoyment such as entertainment, art, culture, sports and interactions with people has been lost

### What should be taken back (recovery) and what cannot be taken back (changes)

#### What should be taken back

⇒ Daily leisure

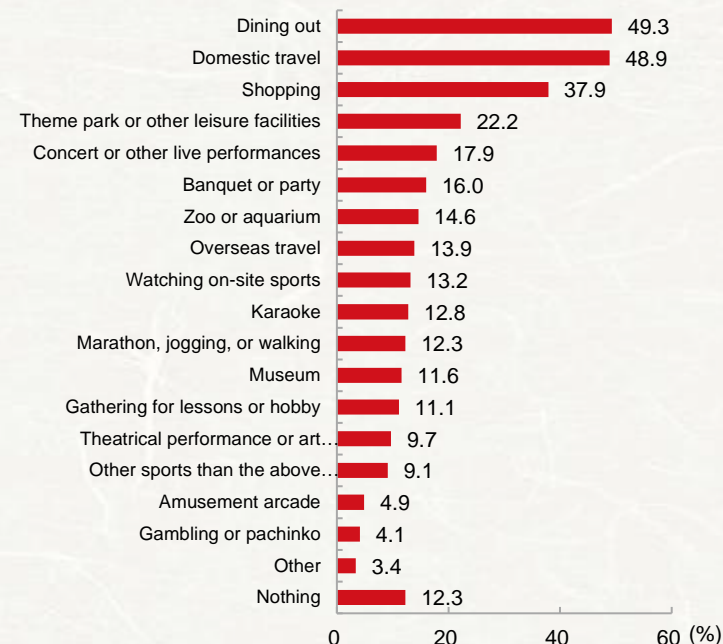
- Now, people want to take back ordinary everyday life rather than an extraordinary experience.
- Desire for interactions and activities with people (crowds) has accumulated while staying home.

#### What cannot be taken back

⇒ Risk of infection and anxiety about daily life and income

- Hygiene control, concerns about crowds and social distancing.
- Anxiety about work and income

### < What people hope to do when restrictions on activities are lifted >



Source: "Survey on COVID-19: About half of respondents want to dine out and travel domestically after COVID-19 subsides" by Brand Research Institute, Inc.



## What are the conditions for leisure in the post-coronavirus period?

## Key Policies in Forthcoming Periods (2) : Challenges with Safe and Secure Leisure

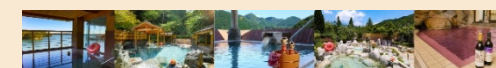
### Requirements for leisure services in the post-coronavirus period: Capturing the mass market

- Services capable of providing both safety and security as well as liveliness
  - Provide the same liveliness as before as much as possible while adequately ensuring safety
  - Safe gathering supported with appropriate distancing and hygiene control
    - ⇒ Rather than independent and private rooms, have communication spaces that people can enjoy with peace of mind.
- Accessible and reasonable use of leisure: Affordable, close-distance and short-term
  - Offer affordable leisure as an extension of daily life as people face concerns about work and life.
    - ⇒ Short distances accessible by car and at reasonable prices

### Strengths of properties owned and expectations

- Requirements in the post-coronavirus period **match the strengths of Ooedo-Onsen Monogatari** ~ Accessible and reasonable leisure provided by the Ooedo model as an extension of daily life
- Implement **COVID-19 measures** such as the prevention of infectious diseases and customer crowd control ~ Formation of infectious disease control project team by sponsors
- Hot springs surrounded by nature rather than populated cities with high risk
- Easily accessible by car

< Measures taken by the Ooedo-Onsen Monogatari Group >



大江戸温泉物語の新型コロナウイルス感染対策  
誰もがほっとひと息つける、温泉旅行のために。  
～大江戸温泉物語の“約束”～





# (References) Measures Against COVID-19 Taken by the Ooedo-Onsen Monogatari Group

Providing hot spring trips where everyone can feel relieved: Promises of Ooedo-Onsen Monogatari

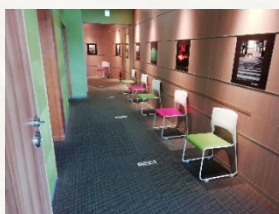
Japanese people have enjoyed hot spring trips since ancient times for relaxation. The Ooedo-Onsen Monogatari Group promises to provide spaces and services for people to feel relieved, especially in the current difficult times.

- The Group **conforms to the guidelines** of the government and industry and takes measures to prevent COVID-19 at the highest level, with more than 200 activities.
- **Ooedo Safety and Security Project Team** has been established in the Group, which ensures efforts made at each facility and provides employee training.
- The Group appointed **outside physicians of infectious** as advisors and add or renew the Group's measures against infectious diseases and new, safer activities as appropriate.

## 1. Promises at **restaurants**

Safety and security, and full satisfaction  
Enjoy a buffet in a new style.

- Distance maintained of 1.5 meters between tables.
- Disposable plastic gloves are distributed by our staff at the entrance for guests to wear while selecting food and drinks.
- Food boards, plates, tongs, and other shared utensils are disinfected with alcohol every 15 minutes and frequently replaced, etc.



Footprint stickers placed every two meters in front of restaurants

## 2. Promises at **baths**

Safety and security, and relaxing spaces  
Enjoy a luxurious hot spring experience.

- Guests are notified about crowded hours of baths and are guided to select a different time.
- Changing rooms are ventilated 24 hours/day. Windows are kept open for more ventilation.
- The number of people using a sauna together is limited, etc.

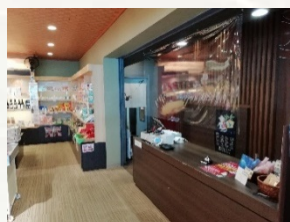


Reduced number of lockers available for use

## 3. Promises of **facility staff members**

Safety and security, and sincere hospitality  
Ooedo staff members help create exclusive, special memories.

- All workers inside the facilities wear masks.
- In-room amenities and fixtures are disinfected with alcohol and thoroughly wiped.
- Bedclothes in guest rooms are stored in tightly closed bags to prevent being touched after use, taken to a bedclothes storage room, and washed, etc.



Blocking shields in front of a store

## 4. Requests for **guests**

To enjoy a wonderful experience at Ooedo-Onsen Monogatari, each guest is requested to do the following.

- Take their temperature and fill in a survey sheet when arriving at a facility.
- Refrain from coughing or sneezing in the presence of other guests. Have good manners and refrain from loud conversations, etc.



Alcohol hand sanitizers placed in different places

## Key Policies in Forthcoming Periods (3) :To the Next Growth Stage, Overcoming Crisis

Expectations for recovery: Ooedo-Onsen Monogatari Group's facilities can precede demand recovery



### Perspective on future external growth after COVID-19

- Urgently needed diversification of portfolio and risk
  - Targeted operators = Business model strong against crises such as a pandemic
    - Thick and diverse customer groups = Capture mass market
    - Chain operation that enables flexible sales strategy and cost control
    - Operators capable of using ICT
- Setting a sufficient rent payment ratio that allows for the maintenance of a relatively high fixed rent ratio
  - True value of stable REIT to be tested

### Respond to changes in the market and seek the next growth opportunities while taking defensive actions

- Opportunities for acquiring properties at good locations on the assumption of operator replacement
- Securing investment partners (bridge funds) amid global monetary easing



# External Growth Strategy (1) : The Number of Properties in the Sponsor Pipeline Is Increasing Steadily

Forms the basis for stable revenue of the Investment Corporation in the medium to long term

Facilities acquired by the Oedo Onsen Monogatari Group after the establishment of the Investment Corporation (March 2016)

August 2016 - **Acquired**



Oedo-Onsen Monogatari Nagasaki Hotel Seifu (Nagasaki City, Nagasaki Prefecture)

October 2016 - **Acquired**



Oedo-Onsen Monogatari Kounkaku (Osaki City, Miyagi Prefecture)

October 2016 -



Oedo-Onsen Monogatari Masuya (Osaki City, Miyagi Prefecture)

April 2017 -



Oedo-Onsen Monogatari Hotel Suiyotei (Atami City, Shizuoka Prefecture)

July 2017 -



Oedo-Onsen Monogatari Beppu Seifu (Beppu City, Oita Prefecture)

July 2017 -



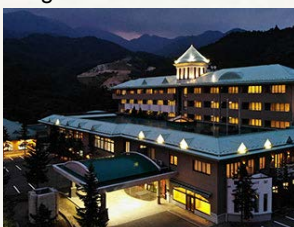
Oedo-Onsen Monogatari Gero Shin-kan (Gero City, Gifu Prefecture)

April 2018 -



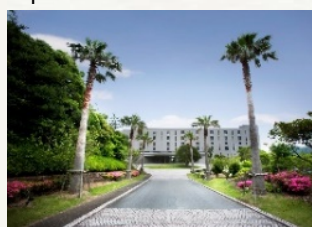
Oedo-Onsen Monogatari Nanki Kushimoto (Higashi Muro County, Wakayama Prefecture)

August 2018 -



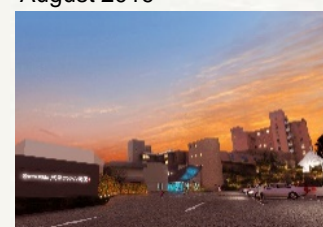
Oedo-Onsen Monogatari Hotel Kisoji (Kiso County, Nagano Prefecture)

April 2019 -



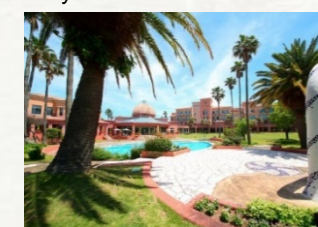
Oedo-Onsen Monogatari TAOYA Shima (Toba City, Mie Prefecture)

August 2019 -



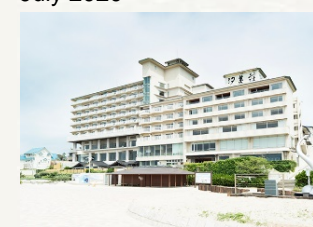
Oedo-Onsen Monogatari Amakusa Hotel Kameya (Kamiamakusa City, Kumamoto Prefecture)

July 2020 -



Saikaibashi Corazon Hotel (Sasebo City, Nagasaki Prefecture)

July 2020 -



Oedo-Onsen Monogatari Shiomi-so (Murakami City, Niigata Prefecture)

## Some of the other facilities of the Oedo Onsen Monogatari Group



Tokyo Odaiba (Note)  
Oedo-Onsen Monogatari (Fixed term land lease right for business purpose) (Koto-ku, Tokyo)



Oedo-Onsen Monogatari Urayasu Mangekyo (Fixed term land lease right for business purpose) (Urayasu City, Chiba Prefecture)



Oedo-Onsen Monogatari Minoh Kanko Hotel (Minoh City, Osaka Prefecture)



Minoh Onsen Spa Garden (Minoh City, Osaka Prefecture)



Hotel New Shiobara (Nasushiobara City, Tochigi Prefecture)



Oedo-Onsen Monogatari Nikko Kirifuri (Nikko City, Tochigi Prefecture)



Yamashiro Onsen Yamashitaya (Kaga City, Ishikawa Prefecture)

(Note) The building of this facility is owned by the sponsor on the land leased for a fixed term; however, because the current fixed term is insufficient for the investment of the Investment Corporation, there is no plan to acquire it soon.



## External Growth Strategy (2) : Pipeline of Properties Other Than Those from the Sponsor

Currently, work on obtaining information on the availability of many types of properties including hotels in urban areas and accommodation facilities targeting inbound customers while determining risk and return in view of the impact of COVID-19 and from medium- and long-term perspectives

### Categories of focus for the time being

- Properties located in urban areas (ordinance-designated cities and core cities)
- Various types of accommodation facilities including small and medium ones
- Properties such as entertainment, amusement and spa facilities located in urban and suburban areas
- Various accommodation and resort facilities able to take in inbound tourism demand

<Property information (excluding sponsor properties) in the 8<sup>th</sup> period (from December 1, 2019 until May 31, 2020)>

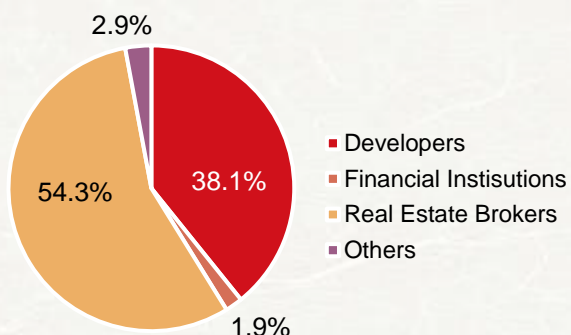
		Ordinance -designated cities	Core cities	Other	Total
Onsen/Spa	Lodging	0	0	8	8
	Other (day trips, etc.)	0	0	5	5
Other lodgings		74	10	8	92
Entertainment, Amusement		0	0	0	0
Sports, beauty, health promotion facilities		0	0	0	0
Total		74	10	21	105

## External Growth Strategy (3)

Considering utilization of a variety of bridge funding.

Expecting an increase in the number of deals for which preferential negotiation rights are secured

<By source>



<Methods for acquiring properties>

Bridge funding by a third party	<ul style="list-style-type: none"> <li>■ Bridge funds (GK-TK scheme, etc.) - Joint small-scale investments will also be considered.</li> <li>■ Lease companies, real estate companies, etc.</li> </ul>
Preferential negotiation rights for direct negotiations with the seller	<ul style="list-style-type: none"> <li>■ Collaboration with operators</li> <li>■ Acquisition in sync with the financing period of the Investment Corporation</li> </ul>

<Progress of new acquisitions>

		Submission of LOI completed	Due diligence/ negotiations underway	Final phase of acquisitions (including bridge funding)	Total
Onsen/Spa	Lodging	0	2	1	3
	Other (day trips, etc.)	0	0	1	1
Other lodgings		1	0	6	7
Entertainment, Amusement		0	0	1	1
Sports, beauty, health promotion facilities		0	0	1	1
Total		1	2	10	13

(Note) The number of properties as of May 31, 2020 is presented. The Investment Corporation has preferential negotiation rights to some of these properties. However, the Corporation may not be able to or is not obligated to acquire such properties.

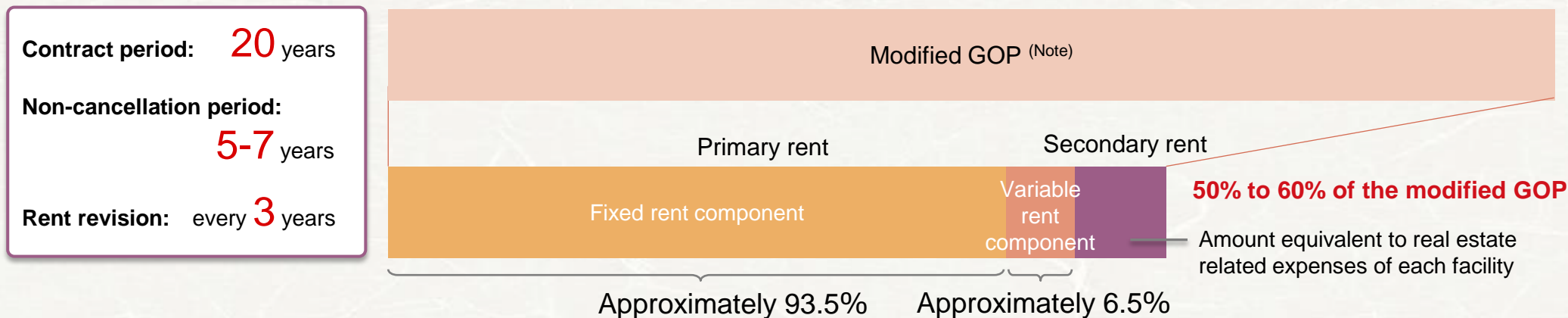
# Internal Growth Strategy (1)

## A rent structure mainly based on fixed elements for securing stable cash flow

### 1. Leasing and rent structure

- In addition to the leasing structure focusing on stability in the sponsor properties, variable rent is introduced in some properties with future upside potential. The basic strategy is “based on stability + partial variable.”
- Utilize variable rent structure more in the future according to the scale expansion of portfolio and an improvement in the degree of diversification of risks.

#### Lease conditions for properties master-leased to the Oedo-Onsen Monogatari Group as of May 31, 2020



- Primary rent = Fixed rent component (monthly amount stipulated by each lease agreement of each facility) + variable rent component  
(Variable rent = Modified GOP for each facility × the fixed rate stipulated by each lease agreement)
- Secondary rent = The total of taxes and public dues that is liable for the Investment Corporation + nonlife insurance premiums + other expenses



# Internal Growth Strategy (2)

## Consideration of measures to increase profits in the short and medium to long term

### 2. Improvement in the performance of facilities and the use of variable rent in the medium to long term

- Improvement in the performance of facilities in cooperation with tenants
  - Continue cooperation in and proposals for various measures to increase the attraction of customers at sponsor properties
- Incorporation of new growth elements such as new markets and new customers by acquiring properties other than those of the sponsor
  - Inbound tourism market and facilities for utilizing leisure time in urban areas

### 3. Raising the level of rent revenue in the medium to long term through value-increasing investment

- Enhancement of internal cash flows generated from the difference between depreciation and CAPEX brought by the scale expansion of the portfolio
  - Measures to increase competitiveness that share the perspective with tenants and additional investments in new functions
  - Effective utilization of unused land and buildings
  - Pursuit of significant value increasing through investment in extension and an increase in the number of rooms in the medium to long term

<Measures to increase profits>

	Short term	Medium to long term
Upside of rent revenue through an improvement in the performance of tenants	<p style="text-align: center;"><b>Limited</b></p> <p>Currently, stability is the basis for the portfolio</p>	<p style="text-align: center;"><b>Medium to high potential</b></p> <p>Use of variable rents by acquiring various types of properties</p>
Raising the level of rent revenue through value-increasing investment	<p style="text-align: center;"><b>Limited</b></p> <p>There is room for a potential increase in value, but the use of internal funds is limited</p>	<p style="text-align: center;"><b>High potential</b></p> <p>Large-scale, value-increasing investment associated with scale expansion</p>

# Financial Strategy

## Implementation of flexible financial strategies while attaching importance to the establishment of a conservative financial base

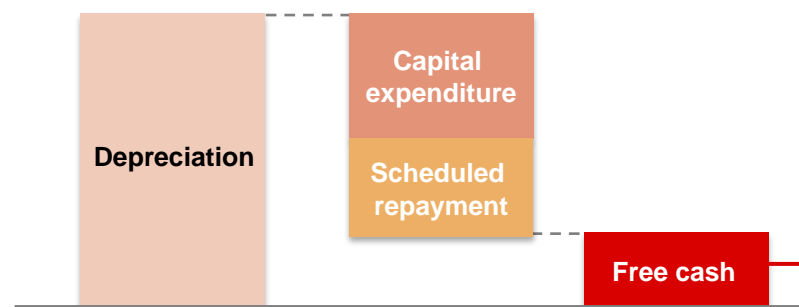
### Basic policy

- Conservative LTV control: Maintain a conservative level while targeting around 40% for the time being
- Flexible equity financing: Consider conducting equity financing, taking into account the medium- to long-term enhancement of the value of investment units and the dilution of distribution
- Promotion of the prolongation of average maturity of debt and the diversification of repayment periods: Reduction of refinancing risk
- Reduction and stability of debt costs: Reduction of costs and interest volatility risk through the diversification of financing methods and financing sources

### Future challenges

- Promotion of scale expansion and the diversification of risks in portfolio
  - Acquisition of a high credit rating and new financing methods, such as investment corporation bonds through the high credit rating
  - Agility and improved flexibility in short term LTV control
  - Improvement in the FFO payout ratio and expansion of free cash flows through an improvement of debt financing conditions (creation of free cash power for value-increasing investment)

<Use of internal cash>



- **Unexpected expenditure**
- **Flexible acquisition of assets/LTV control**
- **Excess cash distribution**

### Excess cash distribution policy

Assumes conducting, as necessary, excess cash distribution equivalent to the increase amount of the allowance for adjustment of temporary difference considering income taxes arising in line with the differences in accounts for tax and accounting purposes.

# Investing Targets and Building of the Portfolio

Investments are made in a wide range of facilities for utilizing leisure time, particularly those related to onsen/spa, that provide consumers with an enjoyable and rich experience during their leisure time

## Ooedo Onsen Reit's Investing Targets



### Building of a portfolio as a REIT focused on facilities aiming at utilizing leisure time

- With onsen/spa-related facilities as the focused targets,
- Taking note of consumption for services (experience-based consumption) for which demand is expected to increase both in Japan and among inbound tourists,
- Aim to build a portfolio focused on facilities aiming at utilizing leisure time, or facilities that provide consumers with a rich experience during their leisure time, that are supported by consumers.

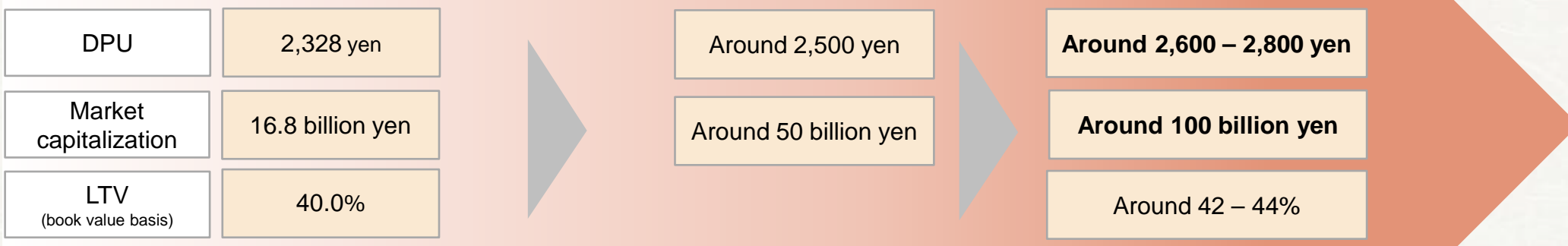
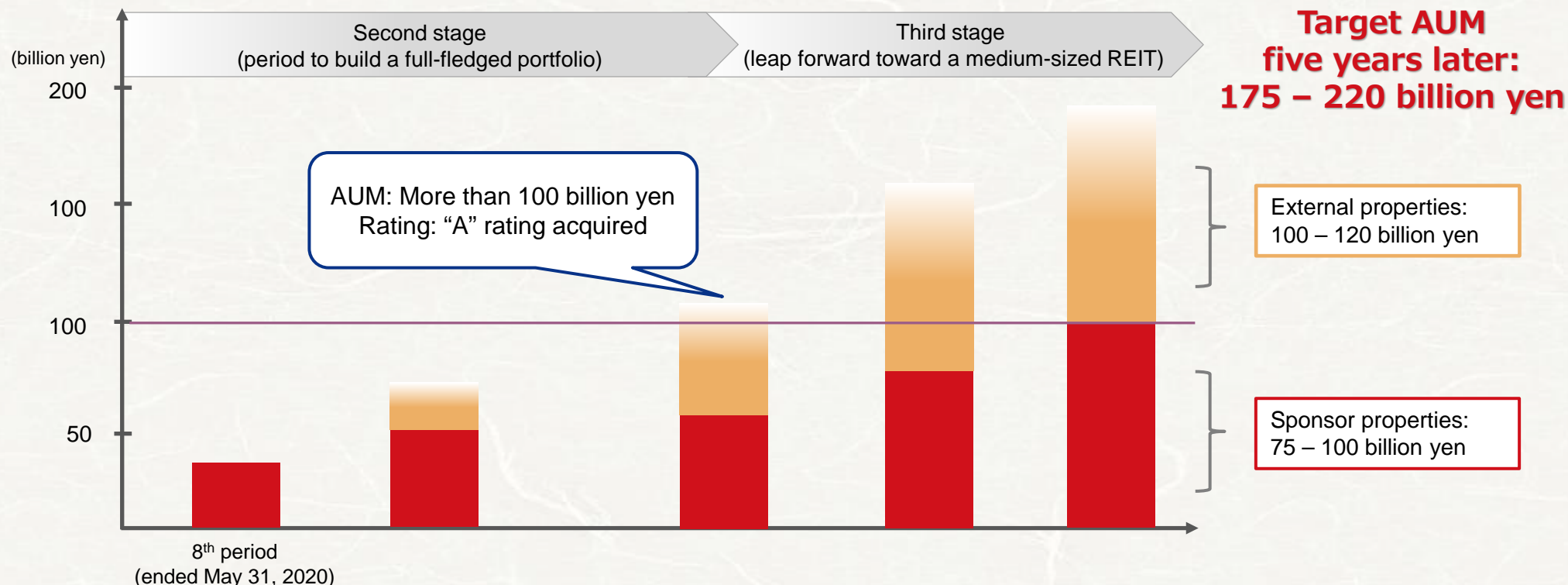
### Building of a hybrid portfolio that satisfies both stability and growth

- Maintenance of stable operation exemplified by the Ooedo business model and the stable core portfolio centered on fixed rent and net lease
- Acquisition of new growth factors by incorporating ever-increasing inbound tourism demand, new types of accommodation, various leisure facilities, etc.



# Future Growth Targets

## Enhancement of profitability and financial strength through the expansion of AUM



(Note 1) The figures above are targets as of July 22, 2020, and are not guaranteed.

(Note 2) The market capitalization in the 8th period is calculated based on the closing price as of May 29, 2020.

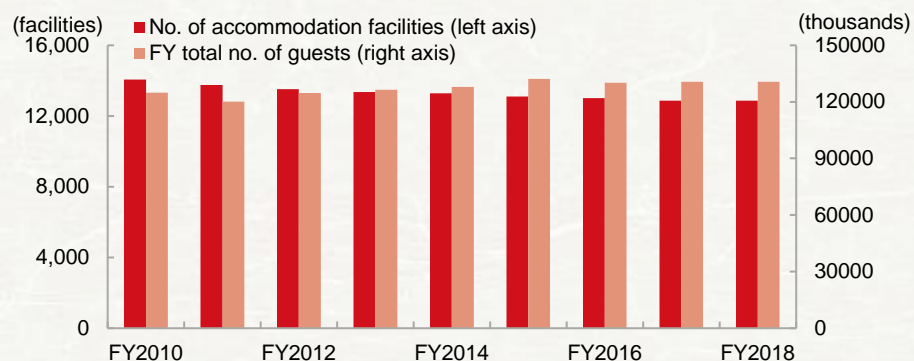


## **IV. Market Environment**

# Market Environment (1) : Stable Onsen/Spa-Related Market

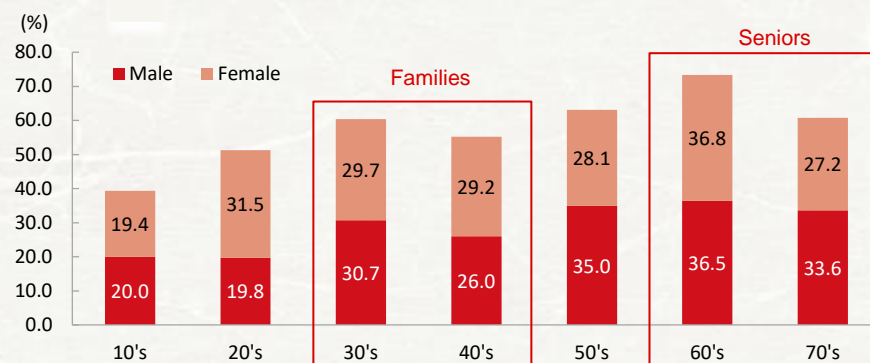
Market for onsen and spa-related facilities that forms the basis for the stability of the portfolio centered on properties operated by the sponsor

## 🌸 Trends in number of accommodation facilities and FY total number of guests



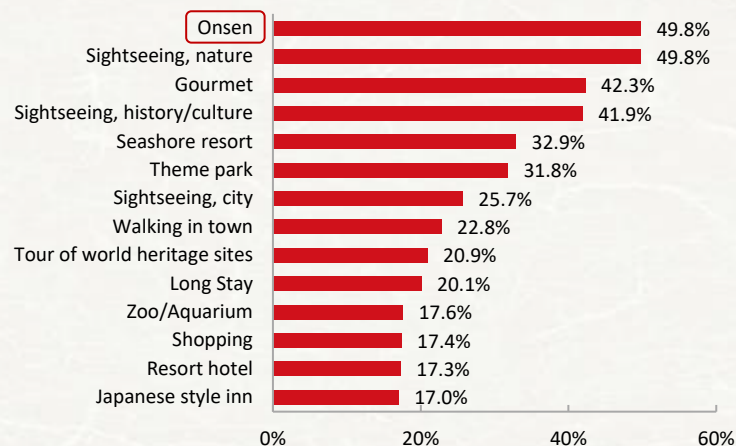
Source: Onsen Use (2010 – 2018), Nature Conservation Bureau, Ministry of the Environment

## 👤 Ratio of visits to onsen and spa facilities by age



Source: "White Paper of Leisure 2019" by Japan Productivity Center  
 (Note) The figures show the total ratios of visits by gender and age. The ratios do not add up to 100%. The figures are presented for each age group by gender by the asset manager after the respective ratios are accumulated, based on sourced data.

## 🦋 Type of trip desired in the next 1-2 years (multiple responses)



Source: "Annual Report on the Tourism Trends Survey 2019" (October 2019)

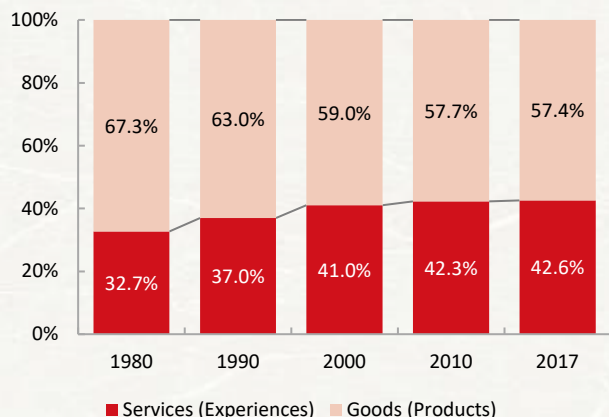
- The number of accommodation facilities' guests has been stable since FY2010 according to the Onsen Use Survey by the Ministry of the Environment.
- Families and the elderly have been creating a firm customer segment and demand is also strong among people in their 50s.
- "Onsen" collected the largest percentage among types of trip desired according to the Annual Report on the Tourism Trends Survey.



# Market Environment (2) : Future Leisure Market

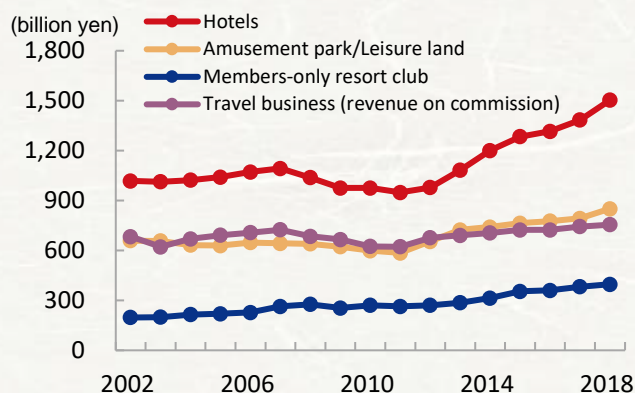
**Domestic demand: Expansion of consumption for services or experience-oriented activities means future potential of the leisure market both qualitatively and quantitatively**

## Trends in the consumption of services



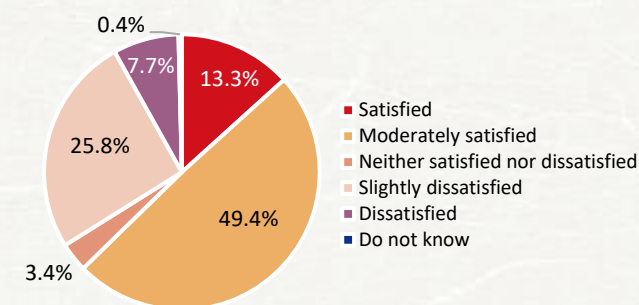
Source: A graph prepared by the Asset Manager based on Implementation of Consumer Policies in 2017 by the Consumer Affairs Agency

## Trends in the leisure market



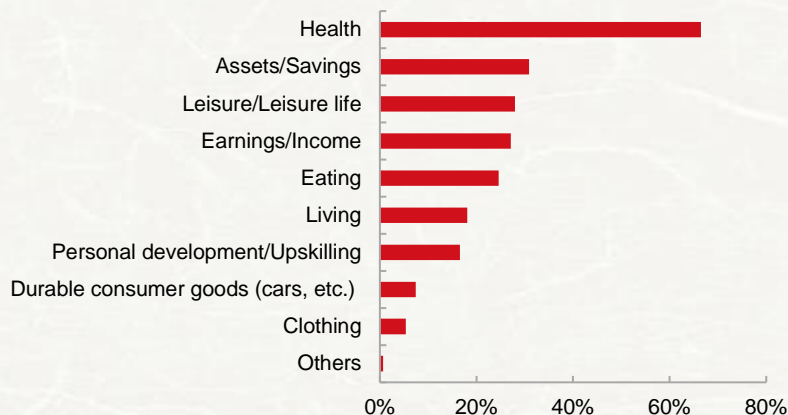
Source: "Annual Report on the Tourism Trends Survey 2019"

## Level of satisfaction in a variety of fields in current lives -Leisure/ leisure life



Source: Public Opinion Survey on the Life of the People (a survey conducted in June 2019)

## Priority matters in life



Source: Public Opinion Survey on the Life of the People (a survey conducted in June 2019)

- Data of the Consumer Affairs Agency also show a stable, increasing consumption trend for services.
- The leisure market centered on hotels has been expanding markedly in recent years.
- While "leisure" is ranked high in the public survey on "points of emphasis in one's future lifestyle," facilities that satisfy the needs remain insufficient.



# V. Appendix

# Appraisal Value

Property No.	Property name	Acquisition Price (million yen)	Book value (million yen)	Appraisal value (million yen)			Unrealized profits and losses (million yen)	Direct capitalization method			Discounted cash flow method					
				7th period Nov. 30, 2019	8th period May 31, 2020	Change		Direct Cap Rate			Discount Rate			Terminal Cap Rate		
								7th period Nov. 30, 2019	8th period May 31, 2020	valuation	7th period Nov. 30, 2019	8th period May 31, 2020	valuation	7th period Nov. 30, 2019	8th period May 31, 2020	valuation
S-1	Ooedo-Onsen Monogatari Reoma Resort	10,379	10,332	8,910	8,870	-40	-1,462	6.0%	6.0%	-	5.8%	5.8%	-	6.2%	6.2%	-
S-2	Ooedo-Onsen Monogatari Ise-shima	3,656	3,388	3,840	3,830	-10	+441	5.6%	5.6%	-	5.4%	5.4%	-	5.8%	5.8%	-
S-3	Ito Hotel New Okabe	2,657	2,612	2,820	2,810	-10	+197	5.1%	5.1%	-	4.9%	4.9%	-	5.3%	5.3%	-
S-4	Ooedo-Onsen Monogatari Atami	2,997	2,839	3,220	3,200	-20	+360	5.1%	5.1%	-	4.9%	4.9%	-	5.3%	5.3%	-
S-5	Ooedo-Onsen Monogatari Toi Marine Hotel	1,910	1,826	2,030	2,020	-10	+193	5.6%	5.6%	-	5.4%	5.4%	-	5.8%	5.8%	-
S-6	Ooedo-Onsen Monogatari Awara	1,901	1,877	2,000	1,990	-10	+112	5.9%	5.9%	-	5.7%	5.7%	-	6.1%	6.1%	-
S-7	Ooedo-Onsen Monogatari Kamoshika-so	1,222	1,183	1,270	1,260	-10	+76	5.3%	5.3%	-	5.1%	5.1%	-	5.5%	5.5%	-
S-8	Ooedo-Onsen Monogatari Ikahe	1,299	1,281	1,380	1,370	-10	+88	5.3%	5.3%	-	5.1%	5.1%	-	5.5%	5.5%	-
S-9	Ooedo-Onsen Monogatari Kimitsu-no-mori	819	839	862	859	-3	+19	5.3%	5.3%	-	5.1%	5.1%	-	5.5%	5.5%	-
S-10	Ooedo-Onsen Monogatari Nagasaki Hotel Seifu	1,637	1,618	2,570	2,570	-	+951	5.2%	5.2%	-	5.0%	5.0%	-	5.4%	5.4%	-
S-11	Ooedo-Onsen Monogatari Kounkaku	1,040	1,025	1,220	1,220	-	+194	5.5%	5.5%	-	5.3%	5.3%	-	5.7%	5.7%	-
S-12	Kinugawa Kanko Hotel	3,870	3,672	6,140	6,130	-10	+2,457	5.2%	5.2%	-	5.0%	5.0%	-	5.4%	5.4%	-
S-13	Ooedo-Onsen Monogatari Kinosaki	2,084	2,134	2,650	2,650	-	+515	5.4%	5.4%	-	5.2%	5.2%	-	5.6%	5.6%	-
S-14	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	1,230	1,221	1,480	1,470	-10	+248	5.9%	5.9%	-	5.7%	5.7%	-	6.1%	6.1%	-
Total		36,705	35,855	40,392	40,249	-143	4,393	-	-	-	-	-	-	-	-	-



# Introduction of Properties (1)

## S-1 Ooedo-Onsen Monogatari Reoma Resort



Location: Marugame City,  
Kagawa Prefecture

Site area: 665,403㎡

Total floor area: 63,896㎡

### Area characteristics (Note)

- Marugame City, where this facility is located, is in the Seisan area (West Sanuki). Many tourist spots are within easy access, including Marugame Castle, Kotohira-gu Shrine and the Seto-ohashi Bridge, etc., meaning local sightseeing and leisure can be enjoyed together with the facility.



## S-2 Ooedo-Onsen Monogatari Ise-shima



Location: Shima City,  
Mie Prefecture

Site area: 9,637㎡

Total floor area: 9,782㎡

### Area characteristics

- Shima City is a large sightseeing spot in the Ise-Shima area. It includes Ise-jingu Shrine and a rias-style coastline.
- Ago-wan bay, where this facility is located, features many resort hotels and onsen ryokans that back onto the mountains and face the coast where the waves lap gently.



## S-3 Ito Hotel New Okabe



Location: Ito City,  
Shizuoka Prefecture

Site area: 2,945㎡

Total floor area: 10,211㎡

### Area characteristics

- Ito City, which is designated a City of International Tourism and Hot Springs Culture, bustles with the Izu Kogen Sakura Festival and the Anjinsai Festival. The Umi no Hanabi Taikai fireworks display on the last day of the Anjinsai Festival attracts crowds of around 170,000 people.
- Ito-Onsen, where this facility located is one of Japan's leading hot springs from the Heian Period.



# Introduction of Properties (1)

## S-1 : Ooedo-Onsen Monogatari Reoma Resort (Hotel Reoma-no-mori)

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	80.6%	89.1%	95.4%	87.1%	86.6%	93.7%	90.5%	85.2%	80.4%	34.8%	8.9%	-	69.3%	90.4%	49.9%	-40.5%
ADR (yen)	25,000	33,341	51,371	26,722	26,628	28,691	33,595	32,014	27,473	26,779	20,908	-	31,680	31,427	30,395	-1,032
RevPAR (yen)	20,150	29,706	49,007	23,274	23,059	26,883	30,403	27,275	22,088	9,319	1,860	-	21,954	28,410	15,167	-13,243
Sales (million yen)	204	278	470	219	232	264	292	266	207	89	18	0	2,544	1,639	874	-765

## S-2 : Ooedo-Onsen Monogatari Ise-shima

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	87.6%	93.4%	95.6%	99.4%	86.7%	96.5%	90.6%	95.0%	94.0%	73.1%	22.1%	18.0%	79.3%	94.6%	65.4%	-29.2%
ADR (yen)	28,787	31,764	46,989	30,607	29,250	31,588	32,160	31,032	27,775	26,183	19,926	19,800	31,333	33,509	28,496	-5,013
RevPAR (yen)	25,217	29,667	44,921	30,423	25,359	30,482	29,136	29,480	26,108	19,139	4,403	3,564	24,847	31,699	18,636	-13,063
Sales (million yen)	77	90	131	93	80	92	90	90	75	58	13	10	905	570	338	-231

## S-3 : Ito Hotel New Okabe

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	93.9%	92.9%	96.8%	95.6%	83.3%	90.9%	90.1%	88.4%	96.3%	68.1%	23.2%	-	76.5%	95.9%	60.9%	-35.0%
ADR (yen)	22,673	27,604	44,384	24,201	24,406	26,625	30,377	28,287	22,447	21,936	16,226	-	27,285	29,783	25,387	-4,396
RevPAR (yen)	21,289	25,644	42,963	23,136	20,330	24,202	27,369	25,005	21,616	14,938	3,764	-	20,873	28,561	15,460	-13,101
Sales (million yen)	84	99	160	87	83	97	110	99	81	57	14	0	977	667	363	-304



# Introduction of Properties (2)

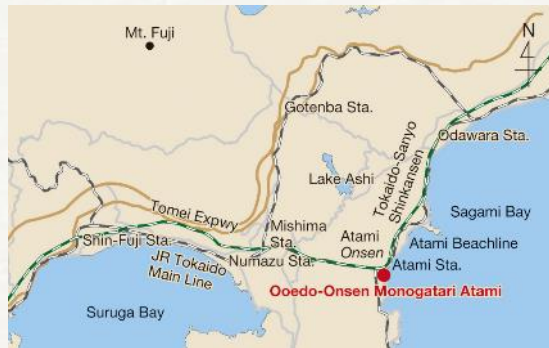
## S-4 Ooedo-Onsen Monogatari Atami



Location: Atami City, Shizuoka Prefecture  
 Site area: 2,053㎡  
 Total floor area: 8,469㎡

### Area characteristics

- Atami City, at the base of the Izu Peninsula, has been designated a City of International Tourism and Hot Springs Culture with its many tourist attractions, including Sun Beach (famous for the Atami Kaijo fireworks display) and “Omiya no Matsu” pine tree, etc. In recent years, it has been in the limelight again as an onsen resort that is “low-cost, near, for short stay” destination from the Tokyo metropolitan area.
- Atami-onsen, where this facility is located is one of Japan’s leading hot spring sightseeing areas.



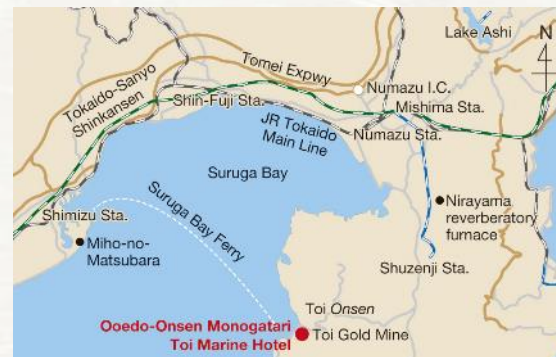
## S-5 Ooedo-Onsen Monogatari Toi Marine Hotel



Location: Izu City, Shizuoka Prefecture  
 Site area: 2,800㎡  
 Total floor area: 6,125㎡

### Area characteristics

- Izu City is the Izu Peninsula’s largest city located in the west of the central part of the peninsula. Facing Suruga Bay to the west and surrounded by the Mount Amagi range to the south, it is rich in natural, historical, and onsen tourist attractions.
- Toi-onsen, where this facility is located is the oldest hot spring in west Izu area. It is famous for “Toi gold mine” from Edo period collecting many sight seeing visitors.



## S-6 Ooedo-Onsen Monogatari Awara



Location: Awara City, Fukui Prefecture  
 Site area: 13,263㎡  
 Total floor area: 14,132㎡

### Area characteristics

- Awara City is a scenic area facing the Japan Sea, surrounded by abundant nature. The Mikuni fishing port, which is well-known for Echizen crab, Tojinbo, a tourist attraction that is famous nationwide, and Eihei-ji Temple are close by, and the tourist industry centered on Awara Onsen is flourishing.
- Awara onsen, where this facility is located is called an inner parlor of Kansai region together with Kaga onsen resort area composed of adjacent Yamashiro, Yamanaka, Katayamazu onsen, etc. .





## Introduction of Properties (2)

### S-4 : Ooedo-Onsen Monogatari Atami

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	98.9%	94.5%	98.7%	96.7%	81.2%	94.3%	93.6%	96.9%	97.6%	92.4%	30.0%	-	81.2%	98.9%	68.3%	-30.6%
ADR (yen)	28,046	32,432	50,098	30,371	29,735	31,372	34,144	31,039	29,022	24,950	17,429	-	31,808	33,141	28,928	-4,213
RevPAR (yen)	27,737	30,648	49,446	29,368	24,144	29,583	31,958	30,076	28,325	23,053	5,228	-	25,828	32,776	19,757	-13,019
Sales (million yen)	75	85	136	80	69	81	87	83	74	63	14	0	852	529	323	-205

### S-5 : Ooedo-Onsen Monogatari Toi Marine Hotel

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	88.2%	87.9%	97.0%	91.7%	76.9%	90.0%	84.7%	89.7%	95.5%	64.5%	10.6%	-	73.0%	91.6%	57.3%	-34.3%
ADR (yen)	21,747	31,418	49,457	22,829	22,828	24,565	28,728	28,291	24,705	21,851	17,188	-	27,976	26,661	25,891	-770
RevPAR (yen)	19,180	27,616	47,973	20,934	17,554	22,108	24,332	25,377	23,593	14,093	1,821	-	20,422	24,421	14,835	-9,586
Sales (million yen)	43	60	103	45	40	49	54	56	50	31	4	0	540	321	197	-123

### S-6 : Ooedo-Onsen Monogatari Awara

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	77.7%	87.5%	98.0%	83.5%	80.0%	92.5%	80.8%	75.4%	85.0%	55.7%	10.7%	-	68.8%	77.8%	51.1%	-26.7%
ADR (yen)	25,147	29,140	41,604	25,999	25,302	27,462	29,137	28,516	24,848	22,321	15,244	-	28,276	30,055	26,118	-3,937
RevPAR (yen)	19,539	25,497	40,771	21,709	20,241	25,402	23,542	21,501	21,120	12,432	1,631	-	19,453	23,382	13,346	-10,036
Sales (million yen)	73	92	141	78	77	92	89	82	75	42	5	0	851	512	295	-216

# Introduction of Properties (3)

## S-7 Ooedo-Onsen Monogatari Kamoshika-so



Location: Nasushiobara City, Tochigi Prefecture  
 Site area: 7,734㎡  
 Total floor area: 5,947㎡

### Area characteristics

- Since ancient times, many onsen villages have taken shape in the mountains and valleys around Nasushiobara City, including the Shiobara Hot Springs Area, Itamuro Onsen, etc. Hunter Mountain Shiobara, where meadows, skiing and autumnal leaves can be enjoyed, is nearby.
- Shiobara onsen resort area, where this facility is located is popular with its six different hot springs dating back 1,200 years ago.



## S-8 Ooedo-Onsen Monogatari Ikaho



Location: Shibukawa City, Gunma Prefecture  
 Site area: 6,805㎡  
 Total floor area: 5,177㎡

### Area characteristics

- Shibukawa City is a regional city located in the center of Gunma Prefecture and it has long prospered as a transportation hub. Nature and onsen tourism is also a major industry.
- Ikaho onsen, where this facility is located is one of the representing hot springs of Kita-Kanto region as an inner parlor of Tokyo and is famous for “muddy gold spring” and transparent “white silver spring”.



## S-9 Ooedo-Onsen Monogatari Kimitsu-no-mori



Location: Kimitsu City, Chiba Prefecture  
 Site area: 57,069㎡  
 Total floor area: 8,660㎡

### Area characteristics

- Kimitsu City is located in the middle of Chiba Prefecture, and with significantly improvements in access by car from Chiba, Tokyo and Yokohama in the past few years due to the completion of the Tateyama Expressway and the Tokyo Bay Aqualine, an influx of visitors is expected.
- Inland Boso peninsula, where this facility is located is expected good demand of tourism with popular sight seeing spots in surrounding areas.



## Introduction of Properties (3)

### S-7 : Oedo-Onsen Monogatari Kamoshika-so

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	82.9%	87.3%	100.0%	75.9%	73.4%	95.7%	64.4%	58.5%	62.0%	52.3%	5.4%	-	63.1%	76.8%	40.4%	-36.4%
ADR (yen)	23,226	25,119	35,430	24,886	27,077	27,477	29,412	29,528	25,576	19,097	16,978	-	27,034	26,509	25,970	-539
RevPAR (yen)	19,254	21,928	35,430	18,888	19,874	26,295	18,941	17,273	15,857	9,987	916	-	17,058	20,358	10,491	-9,867
Sales (million yen)	41	47	76	40	46	58	41	38	33	22	2	0	448	263	137	-125

### S-8 : Oedo-Onsen Monogatari Ikaho

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	99.7%	99.7%	99.8%	99.6%	95.9%	99.2%	95.0%	88.5%	96.6%	87.7%	50.3%	-	84.2%	96.1%	69.5%	-26.6%
ADR (yen)	27,632	28,927	41,854	27,971	28,802	31,866	31,286	28,521	23,696	22,749	16,931	-	28,861	29,880	25,490	-4,390
RevPAR (yen)	27,549	28,840	41,770	27,859	27,621	31,611	29,721	25,241	22,890	19,950	8,516	-	24,300	28,714	17,715	-10,999
Sales (million yen)	38	41	58	38	40	45	42	36	30	28	11	0	411	240	148	-91

### S-9 : Oedo-Onsen Monogatari Kimitsu-no-mori

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	88.0%	94.3%	98.6%	22.8%	29.4%	83.8%	92.8%	97.5%	99.2%	91.5%	46.3%	-	70.3%	96.1%	71.0%	-25.1%
ADR (yen)	23,605	25,571	35,372	23,231	21,849	24,140	26,873	24,788	22,941	17,790	11,504	-	24,343	26,646	21,896	-4,750
RevPAR (yen)	20,772	24,113	34,876	5,296	6,423	20,229	24,938	24,168	22,757	16,277	5,326	-	17,113	25,606	15,546	-10,060
Sales (million yen)	38	44	63	9	13	38	45	46	38	32	10	0	383	282	174	-108



# Introduction of Properties (4)

## S-10 Ooedo-Onsen Monogatari Nagasaki Hotel Seifu



Location: Nagasaki City,  
Nagasaki Prefecture

Site area: 5,092㎡

Total floor area: 11,114㎡

### Area characteristics

- Nagasaki City is a tourist city with abundant tourism resources such as having been registered in the World Heritage List as “Sites of Japan’s Meiji Industrial Revolution: Iron and Steel, Shipbuilding and Coal Mining” in 2015.
- The Inasayama where the facility stands is famous for night views and has been certified by General incorporated association YAKEI Convention & Visitors Bureau as one of the three new greatest night view spots along with Monaco and Hong Kong.



## S-11 Ooedo-Onsen Monogatari Kounkaku



Location: Osaki City,  
Miyagi Prefecture

Site area: 11,829㎡

Total floor area: 10,843㎡

### Area characteristics

- Narukoonsenkyo where the facility is located has nearly 400 spring sources, with 9 types of spring water out of only 11 found in Japan. It is a hot spring site boasting ample volume of water.
- Temporary bus services (“Momiji-go”) are operated during every autumn color season from Naruko Onsen Station to Nakayamadaira-Onsen Station via Naruko Valley.



## S-12 Kinugawa Kanko Hotel



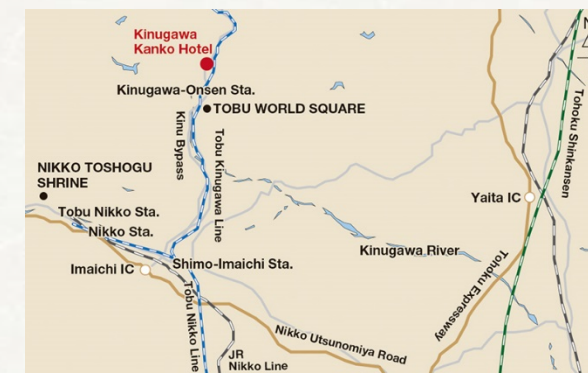
Location: Nikko City,  
Tochigi Prefecture

Site area: 6,719㎡

Total floor area: 22,402㎡

### Area characteristics

- Nikko City is located northwest of Tochigi Prefecture and is a hot spring tourist destination with tourism resources including domestically and internationally well-known Nikko Toshogu Shrine and Lake Chuzenji.
- Kinugawa Onsen where the facility is located is a hot spring resort around Tokyo which was rapidly developed during and after the period of high economic growth.



## Introduction of Properties (4)

### S-10 : Oedo-Onsen Monogatari Nagasaki Hotel Seifu

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	86.7%	96.4%	99.1%	93.1%	90.8%	97.0%	88.2%	84.7%	87.9%	84.4%	20.9%	-	77.4%	91.4%	60.9%	-30.5%
ADR (yen)	27,583	27,837	37,730	29,200	33,624	34,809	33,830	32,133	26,413	22,943	15,895	-	30,444	33,181	28,172	-5,009
RevPAR (yen)	23,914	26,834	37,390	27,185	30,530	33,764	29,838	27,216	23,217	19,363	3,322	-	23,563	30,327	17,156	-13,171
Sales (million yen)	83	95	130	92	106	114	102	95	76	67	11	0	976	624	353	-270

### S-11 : Oedo-Onsen Monogatari Kounkaku

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	81.0%	77.8%	88.2%	76.8%	84.7%	84.4%	74.2%	81.3%	97.1%	53.7%	19.0%	-	68.1%	77.1%	54.0%	-23.1%
ADR (yen)	21,681	22,274	26,604	22,699	26,607	26,378	26,792	23,870	20,408	19,109	13,487	-	23,560	25,017	22,162	-2,855
RevPAR (yen)	17,561	17,329	23,464	17,432	22,536	22,263	19,879	19,406	19,816	10,261	2,562	-	16,044	19,288	11,967	-7,321
Sales (million yen)	73	71	92	69	94	96	87	81	80	43	10	0	801	483	303	-180

### S-12 : Kinugawa Kanko Hotel

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	80.9%	84.0%	99.6%	89.4%	80.8%	96.3%	80.2%	76.4%	73.9%	51.8%	13.7%	-	68.9%	76.3%	49.3%	-27.0%
ADR (yen)	25,557	26,109	38,559	27,415	29,100	31,343	32,629	31,778	25,915	21,741	16,107	-	29,335	30,695	28,117	-2,578
RevPAR (yen)	20,675	21,931	38,404	24,509	23,512	30,183	26,168	24,278	19,151	11,261	2,206	-	20,211	23,420	13,861	-9,559
Sales (million yen)	146	150	243	163	164	207	189	171	126	74	14	0	1,651	952	575	-376



# Introduction of Properties (5)

## S-13 Ooedo-Onsen Monogatari Kinosaki



Location: Toyooka City, Hyogo Prefecture  
 Site area: 11,350㎡  
 Total floor area: 10,602㎡

### Area characteristics

- Kinosaki Onsen represented by stone bridges over a small river and streets lined with willow trees is one of Japan's most famous onsen resorts, where guests can enjoy seven public hot springs.
- The facility is located a little more than 10 minutes on foot from JR Kinosaki Onsen Station and bus services (public hot spring tour bus) to the hot spring quarter are available after 5 p.m.



## S-14 Ooedo-Onsen Monogatari Higashiyama Grand Hotel



Location: Aizuwakamatsu City, Fukushima Prefecture  
 Site area: 12,451㎡ (Note)  
 Total floor area: 16,665㎡ (Note)

### Area characteristics

- Aizuwakamatsu City is located in the west of Fukushima Prefecture with scenic natural landscape surrounded by Mt. Bandai, Lake Inawashiro and such.
- Tour bus services going around major tourist spots such as Higashiyama Onsen and Tsurugajo Castle are operated from the JR Aizuwakamatsu Station.

(Note) The areas include leasing sections.





## Introduction of Properties (5)

### S-13 : Ooedo-Onsen Monogatari Kinosaki

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	95.6%	95.3%	99.9%	99.5%	97.1%	99.4%	99.2%	98.7%	98.8%	99.1%	23.2%	-	83.8%	92.9%	69.8%	-23.1%
ADR (yen)	24,460	28,223	43,034	26,573	26,410	31,162	31,309	30,356	28,848	28,895	18,933	-	29,750	32,218	29,271	-2,947
RevPAR (yen)	23,383	26,896	42,990	26,440	25,644	30,975	31,058	29,961	28,501	28,634	4,392	-	24,930	29,930	20,431	-9,499
Sales (million yen)	89	104	161	99	101	119	120	116	102	102	15	0	1,132	679	457	-221

### S-14 : Ooedo-Onsen Higashiyama Grand Hotel

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Room occupancy rate	87.6%	80.5%	91.7%	86.1%	85.8%	91.3%	66.7%	65.3%	79.4%	51.6%	13.8%	-	66.5%	75.2%	45.9%	-29.3%
ADR (yen)	26,035	25,293	31,953	26,221	28,086	28,211	33,305	28,162	24,590	20,282	16,773	-	27,261	28,468	26,391	-2,077
RevPAR (yen)	22,806	20,360	29,300	22,576	24,097	25,756	22,214	18,389	19,524	10,465	2,314	-	18,128	21,407	12,113	-9,294
Sales (million yen)	102	95	130	99	115	120	106	85	91	47	10	0	1,004	585	342	-243

### S-1 : Ooedo-Onsen Monogatari Reoma Resort (New Reoma Resort)

	2019							2020					Cumulative total	Previous corresponding period cumulative total	8th period cumulative Total	Change
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May				
Number of guests	36,983	53,105	118,893	36,502	40,721	45,221	54,736	36,014	28,679	8,341	2,350	-	461,545	295,839	130,120	-165,719
Sales (million yen)	130	218	496	145	147	160	191	142	96	35	9	0	1,774	1,135	475	-659

# Financial Indices

Indices	7th period (Nov. 30, 2019)	8th period (May 31, 2020)	Calculation formula
Ordinary income	566 mn yen	546 mn yen	
Net income	565 mn yen	545 mn yen	
Depreciation	433 mn yen	438 mn yen	
CAPEX	178 mn yen	169 mn yen	
Total assets	38,640 mn yen	38,327 mn yen	
Total net assets	21,207 mn yen	21,183 mn yen	
BPS (Total net assets/unit)	90,110 yen	90,011 yen	
Unit price (End of each period)	95,900 yen	71,800 yen	
Total units outstanding	235,347 units	235,347 units	
Total distribution	568 mn yen	547 mn yen	
DPU	2,415 yen	2,328 yen	
Distribution yield	5.0%	6.5%	DPU (annualized)/Unit price as of end of period
FFO	998 mn yen	983 mn yen	Net income + Depreciation – profit or loss on sale of real estate
FFO per unit	4,244 yen	4,178 yen	
FFO multiple	11.3x	8.6x	Unit price as of end of period/FFO per unit (annualized)
PER	20.0x	15.5x	Unit price as of end of period/Net income per unit (average during the periods, annualized)
PBR	1.1x	0.8x	Unit price as of end of period/Net assets per unit
ROA	1.5%	1.4%	Ordinary income/Average of total assets during the period
Annualized	2.9%	2.8%	
ROE	2.7%	2.6%	Net income/Average of total net assets during the period
Annualized	5.3%	5.1%	
NAV	25,474 mn yen	25,577 mn yen	Total net assets + Total appraisal value - Total book value - Total liabilities
NAV per unit	108,243 yen	108,679 yen	
NAV multiple	0.9x	0.7x	Unit price as of end of period/NAV per unit
Interest-bearing debt	15,558 mn yen	15,319 mn yen	
LTV (book value basis)	40.3%	40.0%	Interest-bearing debt/Total assets
LTV (appraisal value basis)	36.3%	35.9%	Interest-bearing debt/(Total assets + Total appraisal value - Total book value)
Operating days	183 days	183 days	

# Balance Sheet

	(thousand yen)	
	7th period (period ended Nov. 30, 2019)	8th period (period ended May 31, 2020)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,228,615	2,210,622
Prepaid expenses	126,984	138,154
Other	6,942	6,251
<b>Total current assets</b>	<b>2,362,543</b>	<b>2,355,028</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	26,324,003	26,493,480
Accumulated depreciation	-2,358,917	-2,796,416
Buildings, net	23,965,085	23,697,064
Structures	10,979	10,979
Accumulated depreciation	-877	-1,247
Structures, net	10,101	9,731
Machinery and equipment	600	600
Accumulated depreciation	-61	-79
Machinery and equipment, net	538	520
Tools, furniture and fixtures	3,498	3,498
Accumulated depreciation	-758	-1,050
Tools, furniture and fixtures, net	2,740	2,448
Land	11,988,187	11,988,187
<b>Total property, plant and equipment</b>	<b>35,966,652</b>	<b>35,697,951</b>
<b>Intangible assets</b>		
Leasehold right	157,802	157,802
Software	2,951	2,149
<b>Total intangible assets</b>	<b>160,754</b>	<b>159,951</b>
<b>Investments and other assets</b>		
Deferred tax assets	16	15
Long-term prepaid expenses	140,673	104,578
Lease and guarantee deposits	10,089	10,089
<b>Total investments and other assets</b>	<b>150,780</b>	<b>114,684</b>
<b>Total non-current assets</b>	<b>36,278,186</b>	<b>35,972,587</b>
<b>Total assets</b>	<b>38,640,729</b>	<b>38,327,616</b>

	(thousand yen)	
	7th period (period ended Nov. 30, 2019)	8th period (period ended May 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Operating accounts payable	92,949	50,556
Short-term loans payable	340,000	-
Current portion of long-term loans payable	6,026,630	6,240,110
Accounts payable - other	90,011	89,251
Accrued expenses	10,694	8,329
Income taxes payable	950	936
Accrued consumption taxes	42,933	39,513
Advances received	261,849	261,314
Other	7,048	5,795
<b>Total current liabilities</b>	<b>6,873,067</b>	<b>6,695,808</b>
<b>Non-current liabilities</b>		
Long-term loans payable	9,191,620	9,078,890
Tenant leasehold and security deposits	1,230,706	1,230,706
Asset retirement obligations	138,156	138,288
<b>Total non-current liabilities</b>	<b>10,560,482</b>	<b>10,447,884</b>
<b>Total liabilities</b>	<b>17,433,549</b>	<b>17,143,692</b>
<b>Net assets</b>		
<b>Unitholders' equity</b>		
Unitholders' capital	20,653,023	20,653,023
Deduction from unitholders' capital		
Allowance for temporary difference adjustment	-11,467	-14,292
<b>Total deduction from unitholders' capital</b>	<b>-11,467</b>	<b>-14,292</b>
<b>Unitholders' capital, net</b>	<b>20,641,555</b>	<b>20,638,731</b>
<b>Surplus</b>		
Unappropriated retained earnings (undisposed loss)	565,624	545,192
<b>Total surplus</b>	<b>565,624</b>	<b>545,192</b>
<b>Total unitholders' equity</b>	<b>21,207,179</b>	<b>21,183,923</b>
<b>Total net assets</b>	<b>21,207,179</b>	<b>21,183,923</b>
<b>Total liabilities and net assets</b>	<b>38,640,729</b>	<b>38,327,616</b>



# Statement of Income

	(thousand yen)	
	7th period (from June 1, 2019 to November 30, 2019)	8th period (from December 1, 2019 to May 31, 2020)
Operating revenue		
Lease business revenue	1,440,167	1,433,658
Total operating revenue	1,440,167	1,433,658
Operating expenses		
Expenses related to rent business	555,661	566,328
Asset management fee	125,812	125,121
Asset custody fee	1,738	1,731
Administrative service fees	17,060	17,161
Directors' compensations	3,600	3,600
Other operating expenses	39,393	41,276
Total operating expenses	743,266	755,219
Operating income	696,901	678,438
Non-operating income		
Interest income	10	10
Reversal of distributions payable	-	563
Total non-operating income	10	573
Non-operating expenses		
Interest expenses	64,257	63,464
Borrowing related expenses	65,642	69,268
Other	500	-
Total non-operating expenses	130,400	132,732
Ordinary income	566,511	546,279
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	-	233
Total extraordinary losses	-	233
Income before income taxes	566,511	546,045
Income taxes - current	952	937
Income taxes - deferred	-4	0
Total income taxes	948	938
Net income	565,562	545,107
Retained earnings brought forward	61	85
Unappropriated retained earnings (undisposed loss)	565,624	545,192

# Debt Status

## List of lenders

(as of May 31, 2020)

	Lender	Balance (mn yen)	Interest rate (%)	Drawdown date	Repayment date	Security	Notes
	Sumitomo Mitsui Banking Corporation	458	Base rate (JBA 3-month Yen TIBOR) + 1.25%	September 1, 2016	May 31, 2023	Unsecured and unguaranteed	(Note 1)
	Sumitomo Mitsui Banking Corporation The Toho Bank, Ltd. The Nomura Trust and Banking Co., Ltd. The Bank of Fukuoka, Ltd. The Shinwa Bank, Ltd.	2,158	Base rate (JBA 3-month Yen TIBOR)+ 0.65%	December 4, 2017	November 30, 2020	Unsecured and unguaranteed	(Note 2)
	The Mie Bank, Ltd. The Tochigi Bank, Ltd. The First Bank of Toyama, Ltd. Fukoku Mutual Life Insurance Company The Bank of Kochi, Ltd. The Bank of Fukuoka, Ltd. The Shinwa Bank, Ltd.	2,306	Base rate (JBA 3-month Yen TIBOR)+ 0.80%	December 4, 2017	November 30, 2021	Unsecured and unguaranteed	(Note 3)
Long term	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited ORIX Bank Corporation The Mie Bank, Ltd. The Towa Bank, Ltd. The Iyo Bank, Ltd. The Nomura Trust and Banking Co., Ltd. The Bank of Fukuoka, Ltd. The Shinwa Bank, Ltd.	3,269	Base rate (JBA 3-month Yen TIBOR)+ 0.65%	May 31, 2019	May 31, 2022	Unsecured and unguaranteed	(Note 4)
	Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited ORIX Bank Corporation The Mie Bank, Ltd. The Towa Bank, Ltd. The Iyo Bank, Ltd. The Nomura Trust and Banking Co., Ltd. The Bank of Fukuoka, Ltd. The Shinwa Bank, Ltd.	3,269	Base rate (JBA 3-month Yen TIBOR)+ 0.80%	May 31, 2019	May 31, 2023	Unsecured and unguaranteed	(Note 4)
	Sumitomo Mitsui Banking Corporation ORIX Bank Corporation The Mie Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	3,566	Base rate (JBA 3-month Yen TIBOR) + 0.35%	May 29, 2020	May 31, 2021	Unsecured and unguaranteed	(Note 5)
	Sumitomo Mitsui Banking Corporation	290	Base rate (JBA 1-month Yen TIBOR)+ 0.35%	May 29, 2020	May 31, 2021	Unsecured and unguaranteed	(Note 6)
	<b>Total</b>	<b>15,319</b>					

# Ooedo-Onsen Monogatari Group (1)

“At any time, lightheartedly, repeatedly, onsen with a festive atmosphere and filled with smiles,” is the catchphrase Ooedo-Onsen Monogatari Group uses in its business operations. The group aims to revitalize the onsen ryokan industry by continuously acquiring onsen and spa-related facilities throughout the country and rolling out the Ooedo business model to provide customers with high-quality services at an affordable price, and to help them enjoy the sense of openness and festivity of onsen.

## Overview

<b>Company Name</b>	Ooedo-Onsen Monogatari Hotels & Resorts Co., Ltd.
<b>Capital</b>	100 million yen (as of September 1, 2018)
<b>Address</b>	1-9-4 Nihonbashi-honcho, Chuo-ku, Tokyo
<b>Establishment</b>	December 5, 2017 (founded in November 2001)
<b>No. of Employees</b>	1,315 (as of February 28, 2019, excluding fixed-term employees) *The total number of employees on a group-wide basis
<b>Representative</b>	Representative Director Mitsumasa Morita

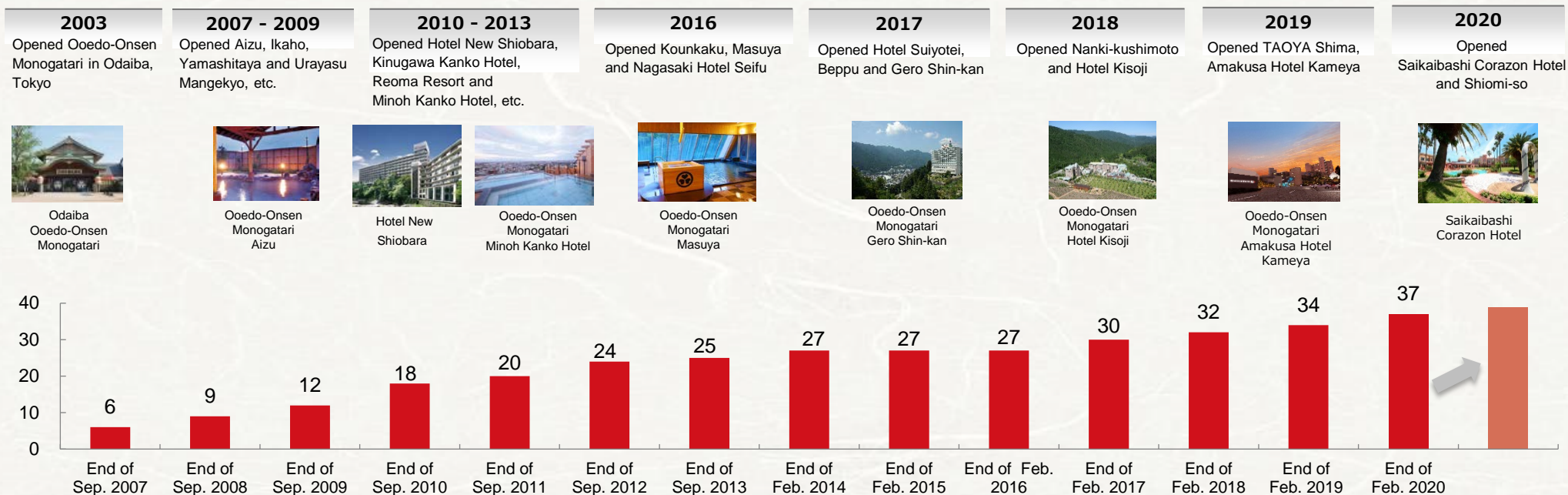
### Financial Results (Feb. 2019)

Consolidated Net Sales: 48,761 million yen  
Consolidated Total Assets: 77,663 million yen  
Net Assets: 21,615 million yen

### Businesses

- Reinvigorating onsen ryokan, hotels, spa-related facilities, theme parks around the country
- We started with the onsen theme park, “Ooedo-Onsen Monogatari,” which has an Edo culture theme. As of Feb. 29, 2020, we operate 37 onsen and spa-related facilities

## Trends in number of facilities

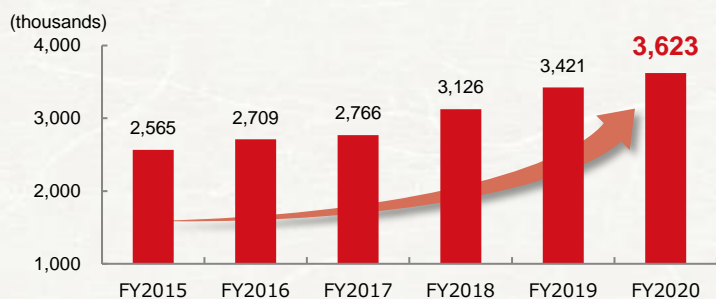




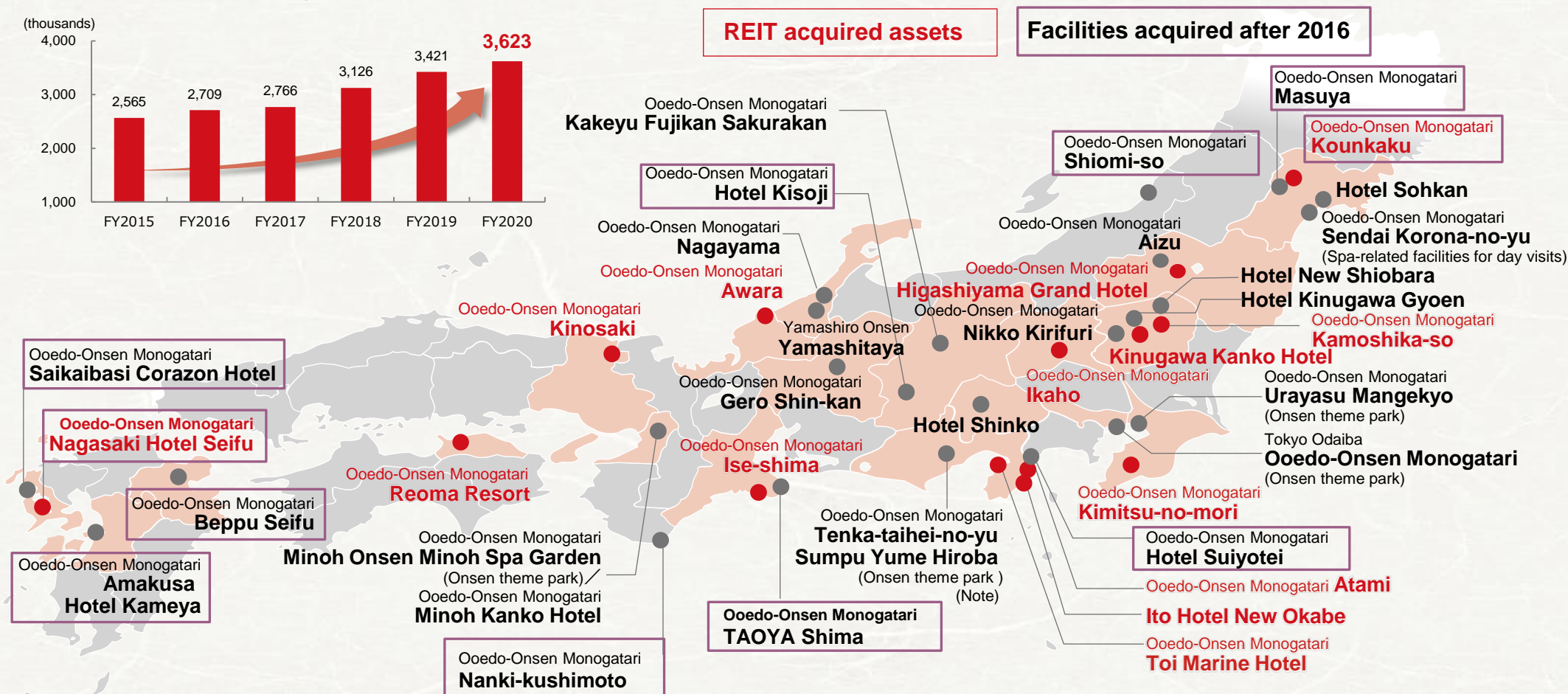
# Ooedo-Onsen Monogatari Group (2)

The total number of guests staying at onsen/spa facilities operated by the Ooedo-Onsen Monogatari Group is steadily increasing year by year. In addition, the group is expanding its business scale actively through a range of initiatives such as the acquisition of 12 facilities (Note) since 2016 when the investment corporation was established.

## Trend in total number of hotel guests at Ooedo-Onsen Monogatari Group facilities



## Onsen and spa-related facilities operated by the Ooedo-Onsen Monogatari Group



(Note) It is scheduled to be transferred to a third party on August 26, 2020.

# “Ooedo Business Model” with Stable Operations and Sustainable Growth (1)

Ooedo business model achieving both high quality and reasonable price

## Provision of services that lead to the creation of repeat customers

### Services created from a customer perspective

- Well-thought-out **onsen facilities** and merchandising facilities
- Buffet-style restaurants** that offer more than 100 different dishes in total every morning and evening
- Continuous efforts to attract more guests with **in-facility entertainment** (including popular theater shows, etc.)

## Application of a unique corporate-owned chain operation (Ooedo business model)

### Efficient operation

- Adoption of a **centralized purchasing system** for foodstuffs, fixings and amenities
- Detailed programs for cost management
- Efficient placement of staff members

### Marketing programs to maximize customer reach

- Measures to attract more customers led by the headquarters of the Ooedo-Onsen Monogatari Group
- Efforts to attract more customers by utilizing **in-house facilities** such as reservation centers

High-quality service

+

Affordable price



Ongoing support from a wide-ranging customer base centered on the senior age group



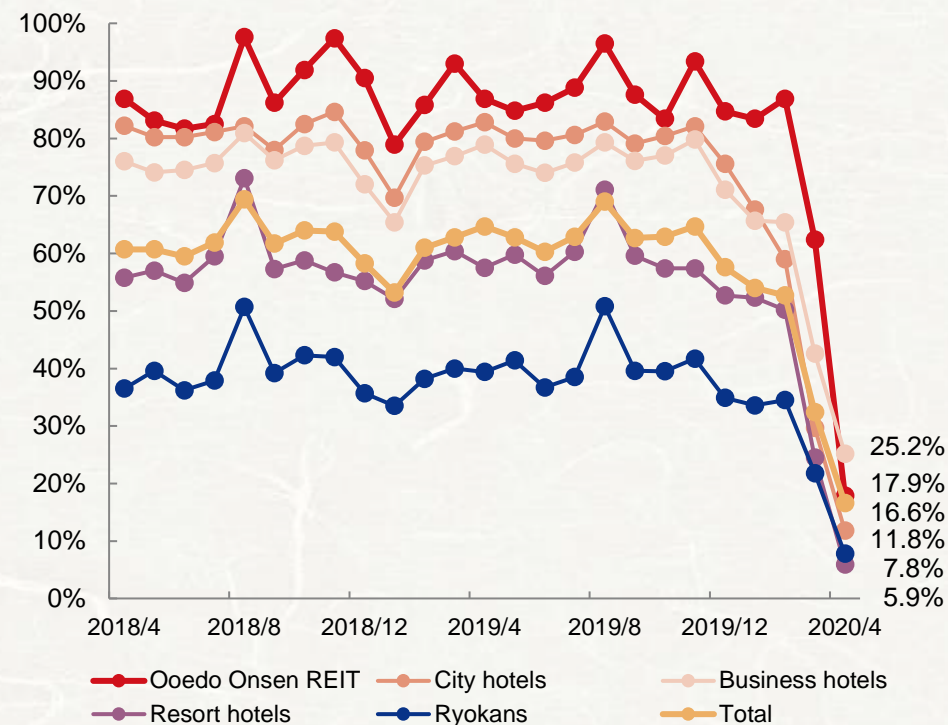
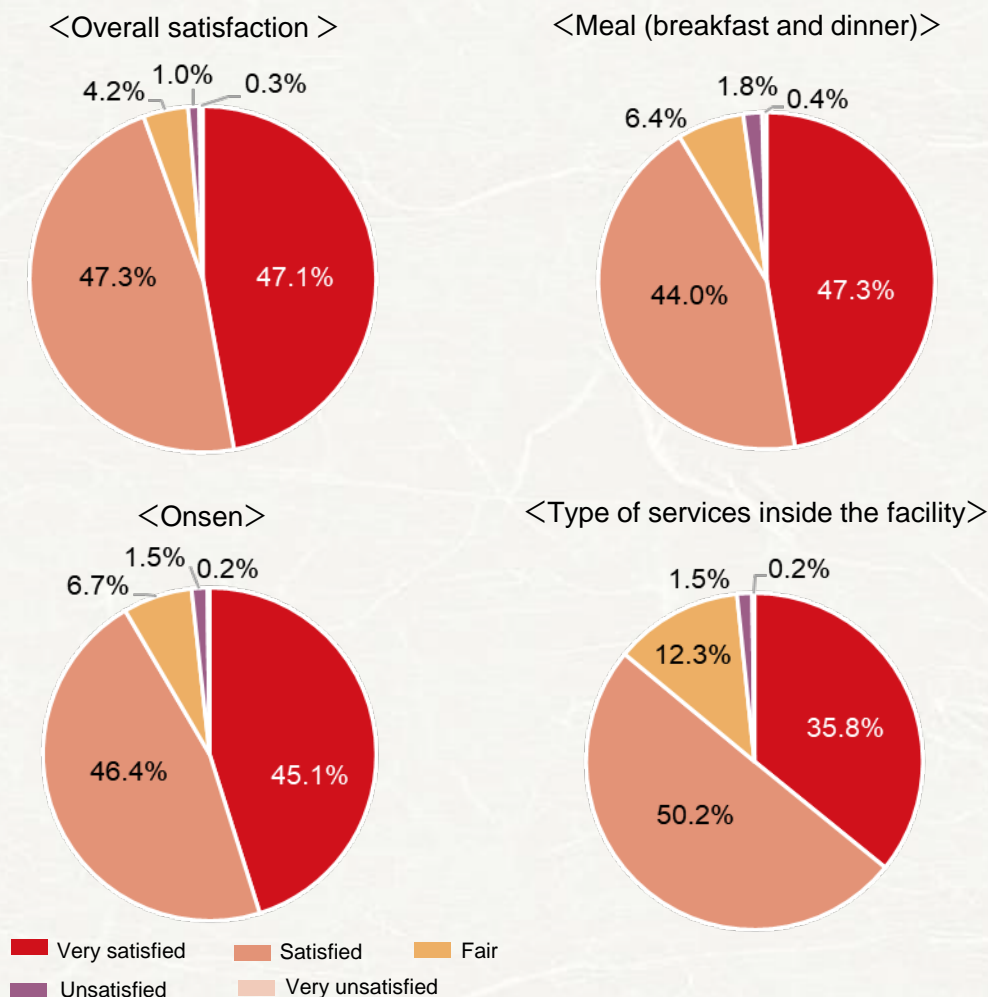


# “Ooedo Business Model” with Stable Operations and Sustainable Growth (2)

Maintaining high customer satisfaction and room occupancy rates surpassing the industry average despite the impact of COVID-19 since March

**Ooedo-Onsen Monogatari Group hotel guest questionnaire (conducted from December 1, 2019 to May 31, 2020)**

**Trends in average monthly occupancy rates for each type of accommodation facility**



(Note) All facilities held by the Investment Corporation have been successively and temporarily closed since April due to the spread of COVID-19

Source: Data on city hotels, business hotels, resort hotels, ryokan and all types of accommodation are compiled by the asset manager based on a statistical survey on trips with accommodation conducted by the Ministry of Land, Infrastructure, Transport and Tourism.

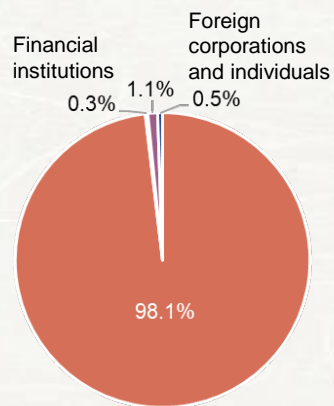


# Unitholders Breakdown

## Ratio by number of unitholders

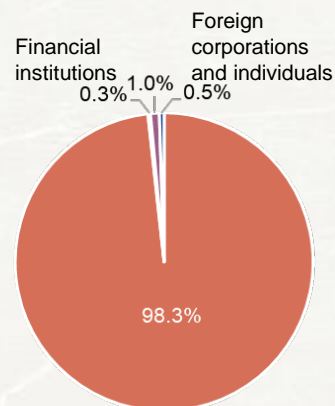
<End of 7<sup>th</sup> fiscal period>

18,066 unitholders

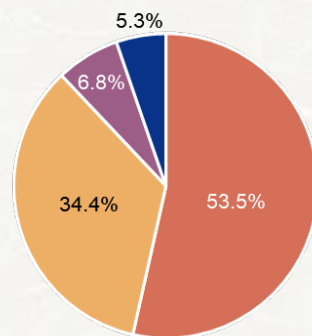
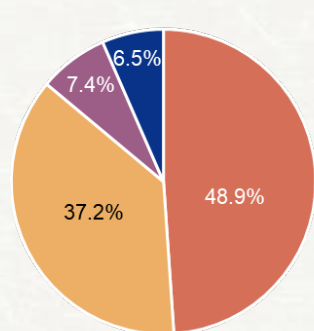


<End of 8<sup>th</sup> fiscal period>

19,558 unitholders



## Ratio by number of investment units






■ Individuals  
■ Financial institutions (Incl. securities companies)  
■ Other domestic corporations  
■ Foreign corporations and individuals

## Top 10 unitholders

Rank	Name	Number of units held	Ratio
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	22,646	9.6%
2	Japan Trustee Services Bank, Ltd. (Trust Account)	15,870	6.7%
3	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	11,146	4.7%
4	Ooedo-Onsen Mongatari Co., Ltd.	9,246	3.9%
5	Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	4,050	1.7%
6	Morgan Stanley MUFG Securities Co., Ltd.	3,558	1.5%
7	YONEZAWA SHINKIN BANK	3,000	1.3%
8	BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS MILM FE	2,963	1.3%
9	Banshu Shinkin BANK	2,880	1.2%
10	Ueda Yagi Tanshi Co., Ltd.	2,500	1.1%
Total		77,859	33.1%

# Unitholder Benefit Program

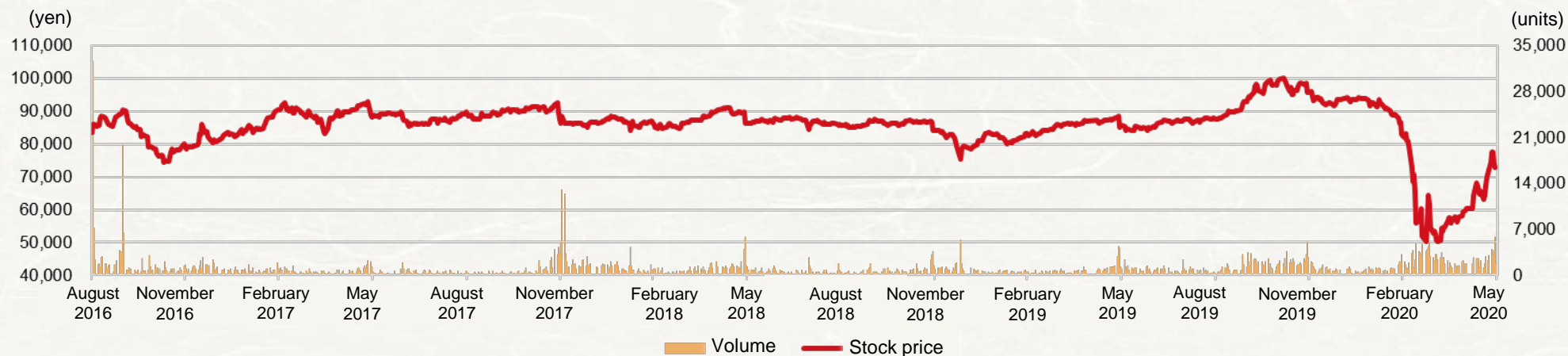
Provide unitholders opportunity to experience facilities held by the Investment Corporation and to deepen unitholders' understanding of those facilities.

Commencement period and target unitholders	Targets unitholders listed or recorded on Unitholders' Registry as of May 31, 2020 (record date), end of 8th fiscal period.	
Eligible persons	The program is also available for those other than unitholders with coupons transferred from unit holders (not registered)	
Benefits	<p>Coupons offering discounts of 1,000 yen per coupon from the accommodation fee for applicable facilities on weekdays (excluding specified dates) will be sent</p> <p>① Unitholders holding 5 units or more and less than 10 units      <u>1 coupon    Equivalent to 1,000 yen</u></p> <p>② Unitholders holding 10 units or more                                      <u>2 coupons    Equivalent to 2,000 yen</u></p> <p>Coupons can be used together with other discount coupons, etc. provided by Oedo-Onsen Monogatari Group</p>	
Applicable facilities	<p>Onsen and spa-related facilities that are owned by the Investment Corporation in each fiscal period and leased by Oedo-Onsen Monogatari Group</p> <p><b>&lt;Facilities applicable&gt;</b>                  Oedo-Onsen Monogatari Reoma Resort, Oedo-Onsen Monogatari Ise-shima, Ito Hotel New Okabe, Oedo-Onsen Monogatari Atami, Oedo-Onsen Monogatari Toi Marine Hotel, Oedo-Onsen Monogatari Awara, Oedo-Onsen Monogatari Kamoshika-so, Oedo-Onsen Monogatari Ikaho, Oedo-Onsen Monogatari Kimitsu-no-mori, Oedo-Onsen Monogatari Nagasaki Hotel Seifu, Oedo-Onsen Monogatari Kounkaku, Kinugawa Kanko Hotel, Oedo-Onsen Monogatari Kinosaki and Oedo-Onsen Monogatari Higashiyama Grand Hotel &lt;14 facilities in total&gt;</p>	
Schedule of sending and period of validity	<p>Coupons will be sent each year in mid-February for fiscal periods ended in November and in mid-August for fiscal periods ended in May</p> <p>① When coupons are sent in mid-February: Valid for 1 year from March 1st to the last day of the following February</p> <p>② When coupons are sent in mid-August: Valid for 1 year from September 1st to the last day of the following August</p>	

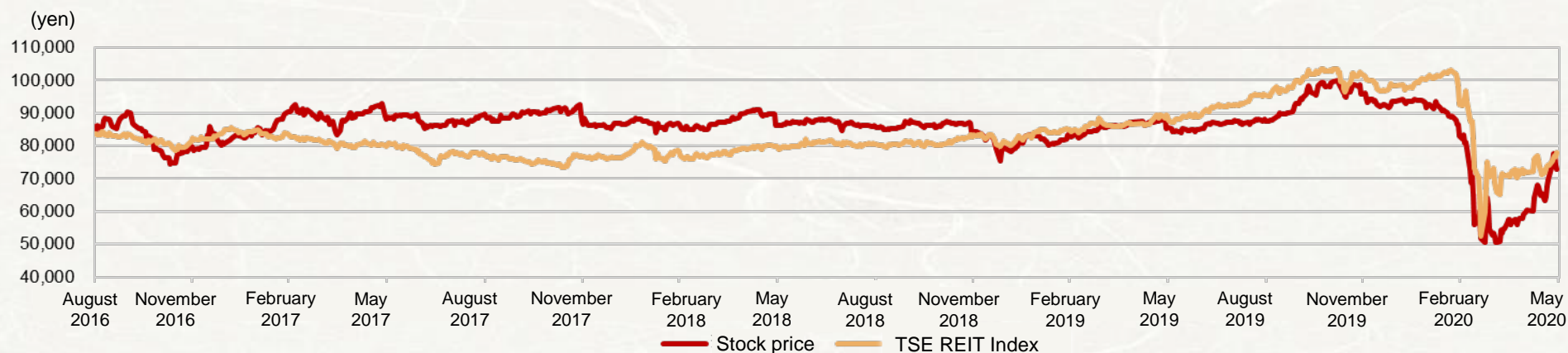
(Note) The period of validity of unitholder benefits for the 6th period (ended May 2019) has been extended from August 31, 2020, to November 30, 2020, due to the expansion of areas subject to the state of emergency from COVID-19 to entire country of Japan.

# Track Record of Investment Unit Price

## Change in investment unit price and trading volume



## Relative comparison of investment unit price and TSE REIT index



(Note) TSE REIT Index is indexed based on the listed date (August 31, 2016) and indicates relative performance with investment unit price.



# Governance Structure

## Introduction of performance-linked element in asset management fee structure

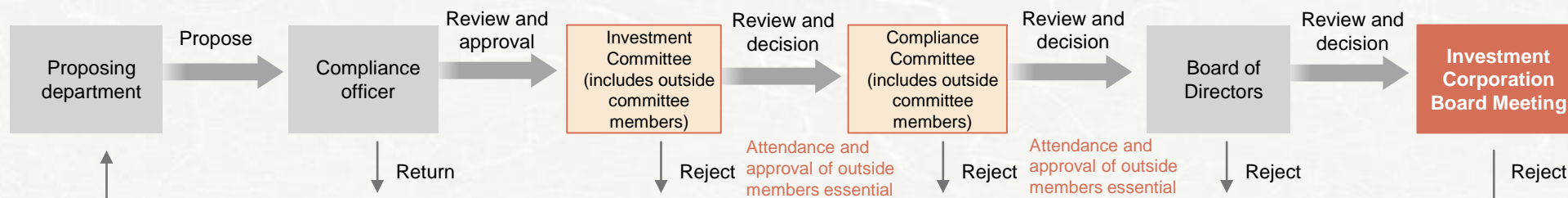
Remuneration paid by the Investment Corporation to the asset manager consists of management fee I, management fee II, acquisition fee, disposition fee, and merger fee.

<b>Management fee I</b>	Total assets at end of previous accounting period <sup>(Note 1)</sup> × 1.0% per annum (ceiling)
<b>Management fee II</b>	Management fee II for previous accounting period × (DPU before deduction of current period management fee II/DPU before deduction of previous period management fee II) × management fee II revised ratio
<b>Acquisition fee<sup>(Note 2)</sup></b>	Acquisition price × 1.0% (ceiling) (transaction with related party: 0.5% (ceiling))
<b>Disposition fee</b>	Disposition price × 1.0% (ceiling) (transaction with related party: 0.5% (ceiling))
<b>Merger fee</b>	Appraisal value at the time when a merger takes effect X 1.0% (upper limit)

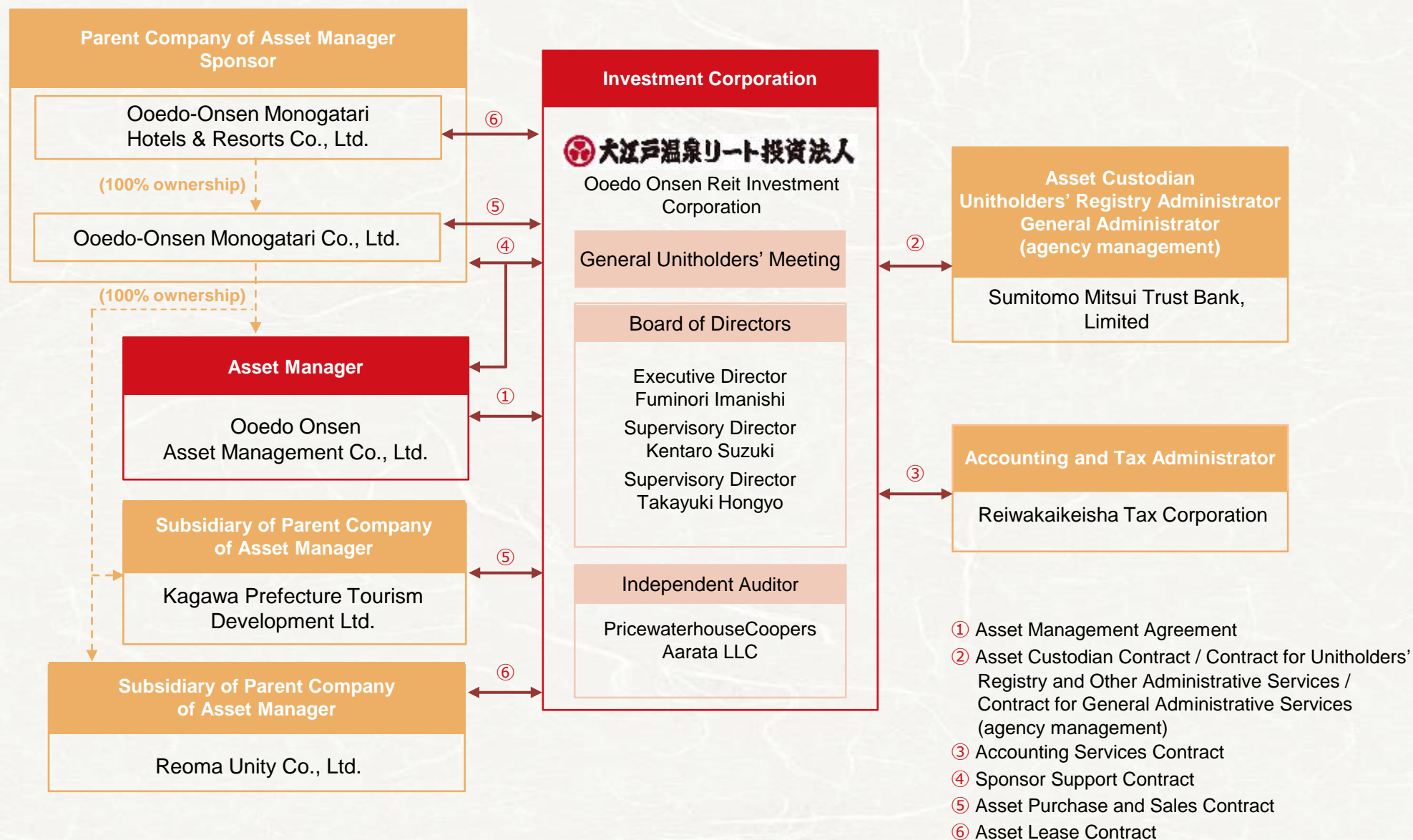
(Note 1) Subject to adjustment for asset acquisitions and asset dispositions during the relevant calculation period.

(Note 2) Where the sum calculated for an acquired asset is less than 5 million yen, the acquisition fee is set at 5 million yen.

## Flow of decision making for transactions with related parties in acquisition and disposition of assets



# Overview of Investment Corporation



# Overview of Asset Manager

**Name** : Ooedo Onsen Asset Management Co., Ltd.

**Address** : 3-3-4, Nihonbashi-Honcho, Chuo-Ku, Tokyo

**Established** : April 24, 2015

**Capitalization** : 50 million yen

**Representative** : Fuminori Imanishi

**Shareholder** : Ooedo-Onsen Monogatari Co., Ltd. 100%

**Registrations and Licenses** : Real estate brokerage, Governor of Tokyo (2) No. 98032

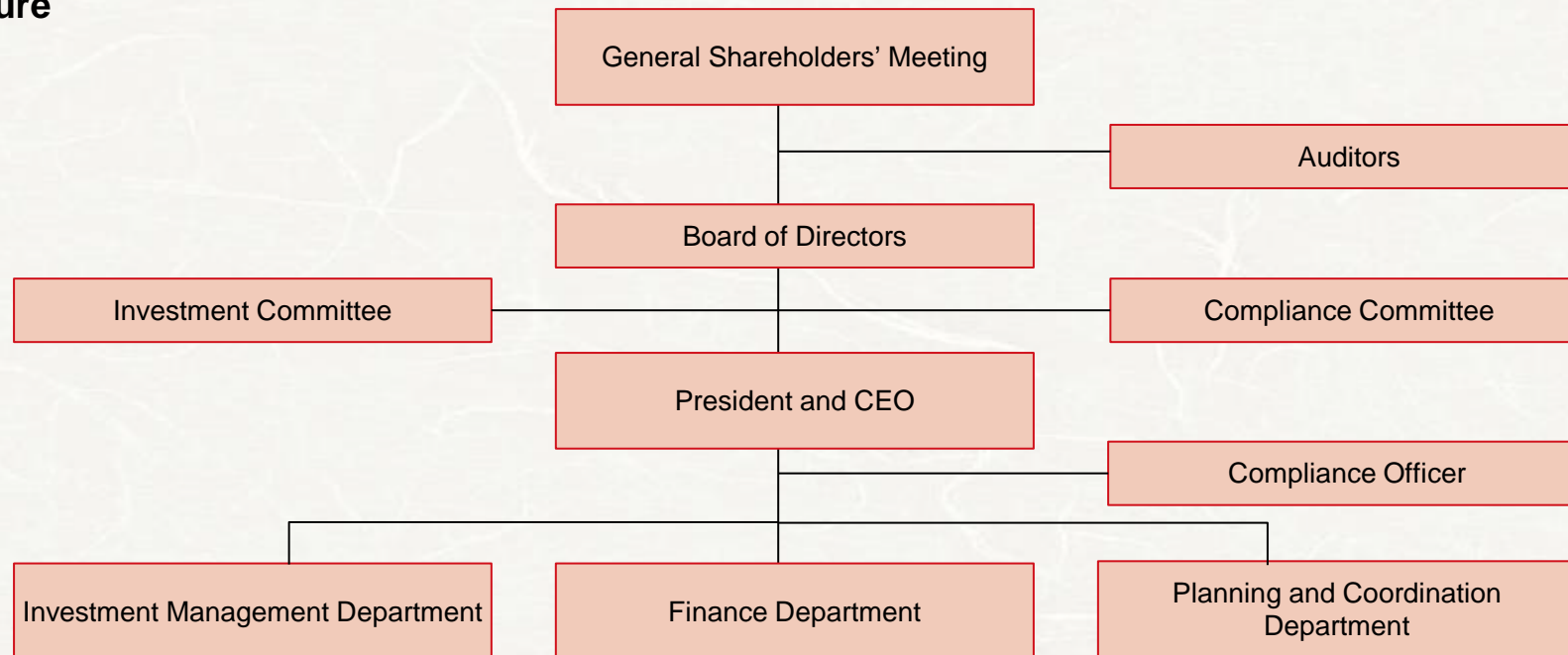
Discretionary transaction agent, Minister of Land, Transport and Tourism License No. 102

Financial instruments business, Director of Kanto Local Finance Bureau (Kinsho) No. 2906

Member of the Investment Trusts Association, Japan

**Employees** : 13 (as of May 31, 2020)

## Structure





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